

present of a mixed type, may serve as an experiment to guide other classes of workmen into this path. Societies of the Bracchiati type might at any rate be tried and perhaps be successful among classes like Municipal sweepers or even dock-labourers.

CONSUMERS' SOCIETIES

As might be surmised from what has already been said the variety in the efficiency and importance of consumers' societies in Italy is very great. It is quite impossible for me even to attempt any general survey or estimate. Broadly speaking, it may be said that the consumers' societies also suffer greatly from the want of proper federation and of unity and cohesion. The Italians themselves admit that consumers' societies are largely not very successful. They ascribe this fact to "want of federative spirit, extreme poverty in men and capital, and insufficient technical organization." I at any rate am unable to agree that the want of capital has anything to do with their failure. On the contrary, as other classes of society and in particular credit societies have succeeded in obtaining capital with the very greatest ease and several consumers' societies have been able to borrow much more considerable sums than are consistent with safety, I cannot ascribe any part of the failure to poverty or real lack of capital. If capital is not obtained, it must be due to faults in management or to want of trust among members and non-members. These are symptoms with which we are not unacquainted in India. A fact to which much weight attaches is again the undue individualism of the Italian character. Far too many independent little societies of consumption have been started. They have been started not merely in the industrial centres where there are good hopes of success, but even in small villages where their failure was almost predestined. Such little societies naturally fail to work well, but they are kept going mainly because some one or the other has his pride tickled by being chairman.

There are now in Italy over 3,000 consumers' societies with a turnover of about six hundred millions of lire.

Until last year they received no help from Government and would therefore have merited the commendation of those strict

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BY THE SAME AUTHOR

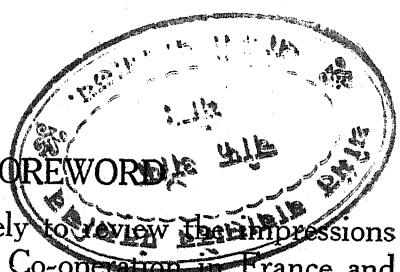


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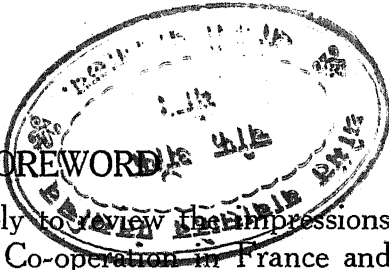
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GENERAL FOREWORD

The scope of this book is merely to review the impressions derived of the salient features of Co-operation in France and Italy during a period of six weeks for which I was deputed by the Government of Bombay to study the movement. The period was of course too short for anything like a thorough study of the subject. In Italy especially, the complexities of the organization of the movement are so great, that my short stay could give me little more than a general impression. The period was, however, limited by conditions beyond the control of Government and was fixed in consultation with myself as the best and longest available under these conditions. I found, however, during my tour that there are so many lessons to be derived for the movement in India from the study of Co-operation in both countries, and it is also a fact that the co-operative movements in France and Italy have been so insufficiently studied in the past, that I hope in the near future it may be possible again to depute an official of the Co-operative Department to make completer research into the progress and nature of co-operation in those countries.

The conditions created by the war put some peculiar difficulties in my way. During the period of the war co-operation like most other branches of public activity had in general suffered from causes inseparable from battle, devastation, and administrative strain; in particular, it had been impossible to keep up the regular supply of statistics and of annual reports. Figures for the development of the movement after 1914 were usually not to be got, at any rate in an official manner. Those that I did obtain, I got frequently through the personal kindness of gentlemen holding an official or quasi-official position, but their accuracy cannot of course be officially guaranteed. On the other hand, the war in some directions served as a great stimulus to the progress of co-operation. In both France and Italy (unlike England where a mistaken policy alienated the sympathies of co-operators from Government) the Consumers' Societies benefited largely from the conditions



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created by the war and from the support actively given by the respective Governments. In France in particular one result of the attention which the war directed to co-operation was a very great and sympathetic development of co-operative legislation. In Italy, on the other hand, the economic changes produced by the war have, to an extent which I at least am not able to gauge and which even Italian observers find difficult to estimate, altered the domestic and financial circumstances with which co-operation has to deal so largely, that the character of many Co-operative Institutions has in consequence been materially modified. But the influence of the great war on the progress and conditions of co-operation would form the subject of a separate study. So far the materials are not yet available. When they are, it should be possible to add an extremely interesting and suggestive chapter to the history of the movement in Europe.

The object I deliberately set before myself both in my inquiries and in my report was not to make a full study based on elaborate statistics of the movement as a whole. I had not the time, even if I had had the inclination, to follow the methods of a German scholar or the ability to emulate Mr. Cahill's exhaustive and monumental report on co-operation in Germany. I kept before myself two objects and two objects only. First I desired to achieve a practical end, that, namely, of deriving from the developments in France and Italy lessons for the actual guidance of the movement in India or rather in the Bombay Presidency. I have disregarded those features which are common to all co-operation or are at least common to India with France and Italy. I discarded those points from which I saw no particular advantage to be gained either by way of example or of warning. Secondly I tried as far as possible to arrive at general principles and to comprehend and express the ideas underlying French and Italian co-operative legislation and administration. I have used statistics only as far as they were needed to elucidate a principle or to delimit the ground on which it is raised. In a word I have, while studying co-operation in two Latin countries, endeavoured as far as my abilities lay to

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pay them the compliment of endeavouring to deal with the subject according to French methods.

One of the main problems for Indian Co-operation is that of the extent to which State aid and with it State control are desirable or justifiable. Under the guidance of the austere purists of the movement, State aid has so far been theoretically rejected in India. Some have gone so far as to say that there should be neither State aid nor State control in co-operation. Some indeed, I believe, are actually under the impression, mistaking wishes for facts, that State aid at least does not exist in this country. As a matter of fact both State aid and State control do exist in Indian Co-operation to a very large extent. It is only true to say that State aid by way of loan has been abandoned for agricultural short-term credit. There are, however, very many amongst the co-operators of this country who express a preference in theory for the refusal of all State aid, at least by way of loan. The theory has in fact received such general acceptance that it was for instance very difficult to obtain the sanction of the Government of India to the grant of urgently necessary loans to Co-operative Building Societies, and I suppose it will again be difficult to obtain similar sanction to similar loans required by other branches of co-operation. I devoted particular attention to the question of State aid and State control, and I hope that my report may at least be of value in regard to the decision of questions turning on this subject. Through what I saw in France and Italy, I found myself compelled slowly to abandon the prepossession I had in favour of non-intervention. I found that in France the great results achieved by co-operation were achieved only because of State aid and with the help of State officials. I found that even in Italy, the most individualist and almost anarchic of countries, the Government had in the end been compelled by the actual force of circumstances to confess the truth of that State aid which they had so long denied. Where, however, I have considered that State aid was given or State control exercised unnecessarily or unwisely I have not hesitated to say so.

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publicist and accepted leader on Co-operative Banking. I wish to lay particular emphasis on the gratitude I owe him in view of the fact that I have had occasion to differ considerably from the views which he has consistently taught. I owed a great deal to the personal discussions which he kindly allowed me to have with him before I left for France and Italy. I have, I hope, considered with care those arguments, especially in the matter of State aid, which owe so much of their weight to his name and reputation. I feel sure that he will regret what he cannot but consider a "falling away from grace" in much that my report contains. I can only say that I believe myself to have been forced to differ by the mere logic of facts, though of course it is also undeniable that the mere passage of time has caused, in a younger generation, a sharp reaction against those views of State non-intervention, which formed part of the political doctrine of the Liberalism of the Nineteenth Century. .

I feel therefore all the more bound to state that, had it not been for Mr. Wolff, I could never have come into such free and friendly contact with co-operative leaders abroad as I was privileged to have. The many letters of introduction which he gave me were in fact invaluable and even the programme of my tour was almost entirely built upon his advice.

Further I should like to take this opportunity of expressing my great sense of obligation to the gentlemen on the staff of the British Embassy in Paris and in particular to Messrs. Addison and Graeme. Those gentlemen received me not only with courtesy but with friendship and spared no pains to see that I was put in touch with all French officials who could possibly be of help to me in my studies, and to ensure that I was properly accredited. The frank and willing assistance that I received from every French official, on whom I called, was undoubtedly due to the efforts made by the British Embassy.

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PREFACE TO THE SECOND EDITION

The demand for this book and the fact that the first edition has now been exhausted, have made it pleasantly necessary to prepare a second edition. The opportunity has at the same time been taken considerably to enlarge the information given in regard to certain branches of co-operation and to bring it up to date. The French law of the 5th August 1920 in particular has greatly altered the agricultural credit system in France and the Chapter dealing with that subject has had to be almost completely re-written. It is hoped that in its present form it will supply the student with exact knowledge of the present working methods of that country. The Chapter on Urban Credit in France has also been almost entirely re-written and that on Housing Societies has been much enlarged. The second part of the book dealing with Italy has not been so much modified. The difficulty about Italy is that exact information of the present situation of the Co-operative Movement in that country after the attacks made upon it by the Fascisti is extremely difficult to obtain. One knows vaguely that a great number of co-operative societies were deliberately ruined by the successful revolutionaries, that their premises were destroyed, and many leading co-operators murdered; but details are still wanting. It is believed that only about half of the co-operative societies existing in Italy before the revolution have survived and that the membership is only about 40 per cent. of what it was before. The Bombay co-operators in common with co-operators throughout the world have registered their protest against these outrages in the last Provincial Co-operative Conference. But the history of the damage done to the movement and the set-back thereby caused to Italy and the prosperity of the Italian people will have to wait for record at a later date. It follows, therefore, that much of the information given about Italy in this pamphlet, which was accurate before the rise of the Fascisti, is probably now out of date and obsolete. As, however, it represents what the co-operators of Italy meant to do and had achieved, it deserves to be studied even if a temporary accident has put obstacles in their way.

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AGRICULTURAL CO-OPERATION

Co-operation in the cause of agriculture is in France only one of the branches of co-operation now recognized and subsidized, as well as controlled, by the State. The need for scientific classification of co-operative societies and the differences between the functions, needs and objects of the different branches of co-operation have in fact been far more clearly recognized in France than elsewhere. According to their different objects and functions they fall under separate ministries. Thus societies for consumption or production fall under the Ministry of Labour : urban resource societies, such as Urban Credit Societies, fall under the Ministry of Commerce ; and societies dealing with agricultural credit or with any operations helpful to agriculture come under the Ministry of Agriculture. I shall revert at a later stage to this classification, its justification and its necessity. In the meantime, I propose to start with the consideration of the agricultural co-operative movement, not only because it is the branch of co-operation most important in India but also because agriculture is after all the primary human occupation.

In regard to societies providing their individual members with the resources in cash needed for their agricultural profession, a broad line of distinction is drawn in France between those that receive aid from the State and those that do not. There are in fact two noticeable groups which claim no such assistance. The first group is that of the clerical societies founded on the Raiffeisen system by Monsieur Durand. The group is not large and its importance is diminishing. Whether it could ever have succeeded in soil not very congenial to its growth, is difficult to say. But it from the first alienated not only the Government but most sober French thought by its adherence to the Catholic Hierarchy and its insistence on the acceptance of certain beliefs by its members. The war has further weakened the group and its resources. There is a good and favourable account of these societies in Mr. Wolff's book and I do not propose to deal with them here. They have not much that is new to teach co-operators in India. In addition the Centre Fédératif, an independent

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Union supported mainly in the South of France and led mainly by Messrs. Dufourmantelle and Rayneri, had organized a number of Rural Credit Societies on independent lines, based again mainly on Raiffeisen teachings, but devoid of any religious bias. Before the war some nine hundred of these societies were in existence. They were all formed freely without Government assistance and obtained no loans from Government. They, however, confined their operations to short term loans. I was unable to investigate their present condition but I believe they also have suffered considerably through the war. These too I do not propose to deal with in this report.

That such societies independent of executive control by the State can legally exist in France is due to the general character of French co-operative legislation. In France, as in a few other countries, there is not one single Act or statute that applies to all co-operative societies. Each branch of the movement is dealt with by a separate law and by separate decrees under that law. But the general idea in every branch is to allow the formation of any societies independently, if they can fit in with the prescriptions of the ordinary law in regard to registration, and to the keeping of accounts, as long as they do not require any assistance from Government. It is only when they apply for such assistance that they come under special ordinances and laws and have to undergo formalities akin to those achieved in India by registration with the Registrar of Co-operative Societies. The tendency, however, is to endeavour to induce all societies thus to bring themselves under executive control and the special ordinances by making it worth their while to do so through the assistance given. Even in such cases, however, the special laws deal diversely with various classes of society, and it cannot be said that the general principles of co-operative jurisprudence have been consistently or thoroughly followed. As an instance it may be quoted that credit societies are expressly forbidden to give a bonus to depositors though the general co-operative principle is that profits should go to those who build up the custom or business of the society. In cases where a society decides that it does not intend to ask for Government assistance, all that is needed is a very simple notification or registration

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theorists who would deny State aid to every form of co-operation. It is, however, interesting to notice that even in Italy the Government has at least found itself obliged to depart from its policy of non-intervention. By a law of the 26th May 1918, Government recognized the necessity of giving special privileges and subventions in cash to such societies.

For a long time the consumers' societies were in Italy regarded unfavourably by the trades' unions. This feeling is, however, now abated and the two work hand in hand. The consumers' societies give help to workmen during strikes and have therefore managed to live down their unpopularity. As a whole in Italy they undersell the market, a policy which has obvious small advantages in attracting custom but which the general experience of the world has found to be dangerous. This class of society has benefited largely by the war.

One of the most successful of consumers' societies in Italy is the Unione Co-operativa of Florence. It is extremely well managed and I was able to satisfy myself by personal inspection that it attracts all classes and not merely the lowest. The society bakes its own bread and pastry, and very good they are. An important feature is in the rather complicated rules for internal management by which a constant check is maintained over all officials and over the working of each department. The system of accounting is particularly good. Each department makes up its totals every day, and the whole are collected in the evening by the head accountant. It is therefore possible from day to day to know exactly how the affairs of the society stand. Dividends of 5 per cent. are paid to share-holders. In addition bonuses are given once a year to customers who can claim them on producing the ordinary receipts given for each purchase. These amounts are checked in the account department which is enabled to do so by a system of slips, as each slip received from each department shows the number of receipts given out of a counterfoil book and the amount purchased by each customer. Bonuses are shared with non-members as well at the same rate. Many non-members however naturally fail to claim their share and in that case the unclaimed bonuses go to swell the reserve. A feature of the society which I could not regard as very satis-

obtained by depositing copies of statutes and similar documents under the ordinary commercial law with a civil court or a registry office. This comparative freedom has several disadvantages. Least of them is that complete statistics are unobtainable, since figures are available only for the societies which demand and obtain loans from Government and of which alone the executive takes cognizance. A greater evil is that the title "co-operative" is often with impunity usurped by societies which have no claim to it and abuse it for fraudulent purposes. In fact the absence of adequate provision for punishing persons who use the word "co-operative" in their business without justification is one of the most serious defects in French Co-operative legislation.

But by far the most important class of agricultural societies in France is composed of those which solicit and obtain assistance from the State. It is to these that I intend to confine my attention. It is from an analysis of their situation, in my opinion, that lessons can be learned, whether positive or negative lessons, by co-operators in India. On the 1st of January 1914 there were 4,533 such rural credit societies, recognized by the State, with a total membership of 236,860, while other agricultural co-operative societies numbered in all 8,500, of which 6,000 were constituted for the purchase of requirements and 2,200 were sale societies. On the 31st December 1921 there were 99 district central banks (*caisses regionales*) to which 4,951 rural credit societies were affiliated, containing 251,000 members.

Where the French system differs from the Indian and, as far as I know, from that of any other country is that no primary agricultural credit society requiring Government assistance and Government registration can be formed by itself directly. Until 1920 such a society could be formed only by the intermediacy either of a co-operative insurance society or one of the societies known as agricultural syndicates. One of these two societies had first to operate in the village and had to take the initiative in organizing and promoting the credit society. The first step was, therefore, the formation in the commune or village or in a union of communes of either an insurance society or an agricultural syndicate. The usual course that was followed was to found the latter. Since 1920, however, the scope for the

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organization of credit societies has been widened by allowing them to be promoted by other classes of co-operative society as well. The relevant clause in the law of August 1920 allows credit societies to be constituted by all or some of the members of one or several co-operative societies of the types mentioned in the law, including agricultural trades unions. But the underlying conception remains unaltered. It is that a credit society is a bank formed for their own purposes by societies already existing for agricultural improvement or by their members.

Such a prescription would be an insuperable difficulty in many countries, as for instance in India where co-operation began with credit. At the same time insurance societies are numerous in a country where agriculture is so fully developed as it is in France. Indeed insurance against death of cattle, against fire and even against the ravages of hail-storms or accidents in field labour forms one of the most important branches of agricultural co-operation in the country and one of the most successful. But statistics are available only for the societies that obtained assistance from the State. In the case of insurance societies, this assistance is given in the shape of subventions which are sanctioned after very careful enquiry by inspectors of the Agricultural Department and recommendation by the Prefect. The final sanction is given after consideration by a special Board constituted for the purpose under the Ministry of Agriculture. The purpose of these subventions is to enable the society to establish an adequate reserve fund at an early moment and to pay for thorough veterinary advice and for all necessary medicines. Municipalities also as a rule contribute to insurance societies, and local bodies are in fact bound to provide free accommodation for offices when required. It may be assumed that the vast majority of societies do claim and obtain these subventions from Government and are therefore included in the published statistics. On the 31st December 1920 there were in all 14,562 such insurance societies. The most numerous class were those for cattle insurance which totalled 10,138 with a membership of over 500,000. The values insured by them amounted to 656 million francs. These societies can no longer obtain assistance from Government.

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But in general credit societies are organized by agricultural syndicates. Such syndicates, which are a peculiarly French Institution that requires special notice, are something between a club and a trades union. The law of the 21st March 1884 gave them their real start and since that day they have been established in great numbers. Formally, the object of such a syndicate is to study all agricultural questions, and their membership is limited to cultivators, agricultural labourers, and all who are dependent on agriculture in some way or other for their trade and livelihood. But the purpose has been widely interpreted and in practice their objects are the following:— To make experiments in manure and improved methods of cultivation, in improvements of implements and in increase of production, to encourage agricultural education, to make easy

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and cheap the purchase of manure, seed, animals and implements, to buy implements which they can let out to their members, to facilitate the sale of produce, and to occupy themselves with everything which is ordinarily useful to cultivators, such as the establishment of societies for credit, insurance, and co-operative sale and purchase. In general, the main function of the syndicates is the purchase of manure, seed, implements and insecticides. It is because of this service done that the syndicates have been so popular and so numerous. The syndicate either buys as an intermediary on commission for its members or it buys as a society and sells to its members. Such a syndicate once having been formed may develop with the same members (and in fact usually does so) other co-operative societies grouped for special purposes around the syndicate. Such are co-operative societies of cultivators for the purpose of purchase and sale, the purchase and sale being more specialised and particular than that which the syndicate itself can undertake. Such again are credit societies.

It should, however, be noted that the area for which a syndicate is formed need not be a village. In fact as supply business has more and more become the main function of those syndicates, even their propagandist and representative functions being subsidiary, so they tend more and more to be absorbed in large syndicates formed for the whole of a district. The village syndicate may remain as an agent to collect indents and distribute goods bought by the district centre. But the actual effective work is conducted by the syndicate formed for the district. In this way the syndicates by dealing with important quantities of goods obtain material advantages in price and quality when they buy and can obtain better prices for their members when they sell. The best of these syndicates—that at Perpignan, for instance, in Rousillon—are bodies which cannot be sufficiently admired and which both morally and materially have conduced immeasurably to the prosperity of the French cultivator.

The following extracts from the bye-laws of an agricultural syndicate may be of interest :—

Article 4.—“ The following may belong to the syndicate. All persons within the district who are either owners of

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Article 8.—"The general object of the syndicate is the study and defence of all agricultural economic and social interests and its special aims are :—

(1) to examine and put forward all legislative or other reforms and all economic measures, to support them before the authorities and to claim their realization especially in all that concerns charges which are burdens on real property, tariffs of railways, commercial documents, custom duties, octrois and rents of stands in fairs and markets.

(2) to stimulate and favour experiments in cultivation manure, improved machines and tools and all other means suitable for saving labour, reducing expense and increasing production.

(3) to encourage, create, and administer economic institutions such as credit societies, societies for production and sale, insurance societies and offices for information in regard to the supply of and demand for agricultural products, manure cattle, seed, machines and labour.

(4) to serve as an intermediary and to organize dépôts for the sale of agricultural products and for the purchase of manure, seed, implements, cattle and all primary or manufactured articles useful for agriculture, in such a manner as to benefit its members by the discounts they obtain. The syndicate is not responsible to the sellers for the payment of articles, for it has served only as an intermediary.

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Article 20.—"The property of the syndicate is composed of the following :—

- (1) entrance fees of members.
- (2) annual subscriptions of members.
- (3) donations and legacies.
- (4) subventions which may be given."

Article 22.—"Each member must pay an entrance fee of 2 francs. All demands for State subventions have to be addressed to the Préfet."

On the whole there is no doubt that the Agricultural Syndicates have worked extremely well and have achieved their purpose. What is wholly admirable in them is the way members of their Managing Committees secure their credit by pledging their own private credit to the full. Among other things the syndicates do a good deal of excellent work by arranging excursions to industrial centres and by organizing agricultural instruction. The only danger to be avoided is, as has occasionally been seen, of applying too much pressure in order to obtain quick results. In such cases it has occasionally occurred that a village syndicate has been called into a hurried and nominal existence only in order that a rather artificial credit society might then be formed and obtain State aid. The danger has, however, been recognized and such instances are of comparatively rare occurrence. As a matter of fact an institution like the Agricultural Syndicate would be extremely useful in India in order to group together and unify the various agricultural co-operative activities of a village. In India there is too much of a tendency for the various societies, manure, seed, cotton-sale and so on, to be regarded as entirely separate, and all of them as being of less importance than the Credit Society. In the long run it can hardly be healthy that the obtaining of credit should hold the first place and of two extremes it probably shows the sounder organization if improvement of agricultural methods takes the first place.

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I had in 1920 a special opportunity of visiting the *caisse regionale* of the Ile-de-France. This society is one of particular interest since it operates in an area much of which is particularly fertile, though portions are under marsh-land, while by its proximity to Paris it is peculiarly suitable for developments like market gardening. It is also interesting because it contains members of experience and reputation such as Professor Dufourmantelle, Mr. Tardy who now fulfils the functions which correspond to those of Registrar at the Ministry of Agriculture, and Mr. Paul Vimeux, a leading Agricultural Engineer. This *caisse regionale* had 41 primary credit societies affiliated to it as well as 5 agricultural syndicates. Several of the areas served by these primary societies were occupied by the German invaders. The share capital of the society which began in 1902 with 23,800 francs was on the 31st of December 1918 252,850 francs. During the war naturally the increase was very small. On the same date the society had liabilities to Government of 1,192,900 francs. Deposits were small but the rate of interest paid was only 3 per cent. on deposits up to 6 months and 4 per cent. for deposits between 4 months and a year. At Fontenay there is an affiliated society of gardeners who grow flowers for the Paris market. This society had borrowed 60,000 francs from the *caisse regionale*, and although it was hard hit during the war by the fact that all its members were called up to the flag, yet it had already had a very successful year in 1919. The *caisse regionale* banks with

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the Bank of France and the Bank of France provides for the sending of actual cash. The society possesses funds of nearly a million francs invested in various securities and deposited with the Bank of France. The profits in 1918 amounted to 44,879 francs out of which 10,103 francs were paid as interest at 4 per cent., 1,500 were kept for assisting primary societies and 33,276 francs were kept in reserve, the total reserve fund of the society amounting to 210,205 francs. The society was inspected during the year by the Government Inspector.

Under the system then prevailing the following regulations attached to *caisses regionales* which required or obtained loans from Government. The loans had to be obtained from the Minister of Agriculture who had for that purpose at his disposal large funds derived from the Bank of France. The central board, however, which dealt with agricultural credit as part of the Ministry of Agriculture, was formed by an administrative service which was hampered in its working by strict rules. Loans were not and are not even now given direct to a primary credit society but are sanctioned to the *caisse regionale* which in turn divides them as approved according to needs and applications among the members of affiliated societies. When a member of a rural society or a society itself wishes to get a loan it applies to the *caisse regionale*. But before 1920 in order that the *caisse regionale* could receive the loan, its request accompanied by the file relating to it had to be sent through the Prefect of the District to the Ministry. The Prefect submitted it to the Minister with his own remarks accompanied by a report from the district agricultural director. At the Ministry since 1906 there existed a special commission or Board charged with the allotment of loans and this Board considered the application with those received through other banks and made its recommendations to the Minister. The Minister then sanctioned the loan which was paid to the *caisse regionale* or District Bank and for which the District Bank was responsible. The advisory commission or Board which advised the Minister how to distribute the loans had to meet at least once a quarter. Applications for loans had to be accompanied by the last report of the Government Inspector. It may be noted that the *caisses regionales*

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must in the first week of the month following each quarter submit to the Minister of Agriculture a statement showing their balances and the operations they effected, while in the second half of February each year they have also to submit a summary of their operations and those of affiliated societies. They have also to submit full proceedings of every general meeting. The *caisses regionales* can deal only with societies which are purely agricultural, which are lawfully registered, and which pay no more than 6 per cent. interest to share-holders. The *caisses regionales* exercise over all affiliated societies a constant and regular surveillance and control, must obtain from the societies documents showing that all loans have been used for agricultural purposes, and must also obtain full accounts as well as copies of the bye-laws. They in turn must keep their accounts as directed by the Minister of Agriculture. The inspectors must audit the accounts at least once a year and have to see how the *caisses regionales* fulfil their duties as well as to see that the law and all Government orders are properly followed. Under the Ministry of Agriculture it should be noted that there are numerous inspectors whose duty it is to inspect all agricultural societies including the *caisses regionales* to see that they follow the prescriptions of the law and the various departmental orders and are properly and honestly conducted. These inspectors are not directly under the Prefect of the District but like all other officials in France have to show him the necessary respect and deference due to the head of an administrative unit. It will be obvious that under the system as it worked before its recent modification delays were troublesome and that it took usually two months or sometimes considerably more before the *caisses regionales* could receive the funds intended for them. When dealing with other co-operative societies the formalities were still more numerous and the delays still more onerous.

The law of 1920 has modified the system in many material ways, has encouraged independence and established free deposit banking, and has practically done away with the delays which formerly impeded the movement. The credit for the vast improvements thus produced is largely and perhaps mainly due to the talent and perseverance of Mr. Louis Tardy, the first

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factory was the fact that they had overloaded themselves with considerable borrowing. At the time I was there the amount of the loans they had taken came to about twice their share capital ; in other words, the society had to pay more interest than was necessary and therefore to diminish the bonuses available, while on the other hand both the society itself and the creditors stood in a position of financial danger. I visited also the large consumers' society of Milan ; but shall not dwell upon its working. It was not so good as the Unione of Florence nor was it so well patronised by all classes. I was told that there were serious complaints of incivility from the employés.

Generally speaking, I do not think that there is much to be learnt from the consumers' societies in Italy which cannot be learnt elsewhere. There is no wholesale society in Italy. The chief lessons are I consider negative.

They may be summarised as follows :—

- (a) do not start too small societies,
- (b) do not start societies in small villages,
- (c) do not allow societies to be started or continued because some one wants to be chairman,
- (d) do not allow loans to be taken to more than a very limited extent,
- (e) do not allow societies to remain separate and isolated.

The one thing as it seems to me in which something positive is to be learnt is the very efficient system of accounting. Indirectly however, there is a lesson to be learnt from the fact that even in this individualist country State aid has now had to be given.

CONCLUSION

It is, I suppose, as true of a living movement like co-operation as it is of all things vital, like art or literature or music, that each man finds in it what he himself brings with him. It is possible enough, therefore, that in France and Italy I have found only what I was already, quite unconsciously, looking for. To be entirely objective, when one is faced with a thing instinct with life, with which one has one's sympathies or one's aversions, is probably impossible. It is only the scholarship, which

Director of the new National Office of Agricultural Credit. Probably the most important reform of all the numerous modifications made by the new law is indeed the foundation of this National Office. The National Office of Agricultural Credit, as it now is, forms a public establishment having financial autonomy and governed by a responsible directorate. It is organized and works on the lines of a big financial establishment and receives deposits from *caisses regionales* and agricultural syndicates while it issues drafts through the *caisses regionales* or through the Bank of France. It adopts bankers' methods for the payment and repayment of advances such as current accounts and cheques and it is able to apportion advances to the urgent needs of *caisses regionales*. Though it is still nominally an official department attached to the Ministry, yet in practice it is in most respects a body working on lines parallel to the Provincial Bank in this Presidency. Its Board is largely non-official and consists of 30 members presided over by the Minister himself. One-fifth of the members are elected by the Senate and the Chamber of Deputies, two-fifths are elected by the District Banks and two-fifths are nominated by the President of the Republic and selected from the higher officials of Government. The actual working directorate is elected by the full Board and consists of 7 members. The Director-General, for the present Mr. Tardy, is appointed by the President of the Republic on the recommendation of the Minister of Agriculture. The change shows that France has recognized, what has long been accepted in Bombay, the need of a central regulating banking institution serving as an apex to the movement and as a clearing-house for the various affiliated banks, even though its organization still remains official to an extent greater than would be here considered desirable.

The next important change made by the new law is that all kinds of agricultural societies, whether credit or non-credit, can now obtain long-term loans from the funds at the disposal of Government. Specially important is the assistance thus available for societies for land improvement. The third of the great changes is that now all credit societies, including district banks, can open current accounts without any limit, with the one

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exception that they must have fluid resources equal to the total of their current deposits. In practice, unfortunately, hardly any village societies have so far taken advantage of this permission but the district banks are doing so largely and are thereby enormously strengthening the resources of the co-operative movement. While, however, societies can accept current accounts and also accept securities in deposit, they cannot accept loans from elsewhere without the previous sanction of the Minister.

Loans are now divided into three classes, short term, medium term, and long-term. Short-term loans are made only for the period covering the operation or activity for which they are required and are secured by personal pro-notes. Medium-term loans upto 10 years are for the stocking or for the arrangement of farms and holdings or for the purchase of cattle and must be secured by sureties, "warrants", deposit of securities, or mortgages. Long-term loans upto 25 years are given for purchase of land or land improvements and must be secured on mortgages or life insurances. Both medium-term and long-term loans must be repaid by annual instalments. No society can pay interest exceeding 6 per cent. on its shares or exceeding the rate it charges on short-term loans whichever is lower. On the other hand the rates of interest charged on short term and medium term loans must not be lower than the interest paid on shares nor higher than one per cent. over the Bank rate. Actually the usual rate on such loans is now 6 per cent. On long-term loans the rate of interest is 2 per cent. except in the case of mutilated soldiers. 75 per cent. of the net profits after paying interest on shares must go to the reserve till it amounts to twice the share capital and 50 per cent. thereafter.

In considering the new scheme as it works it must be remembered that in France the primary credit society is really little more than an agency or branch of the district bank. It adds to the functions of a branch only that of providing a mutual guarantee for all loans and a watch upon the conduct of members and their use of loans. But the primary society is in no sense a bank itself. It does not hold cash in the village, it does not invite deposits, it does not collectively borrow money. What the primary society does is to scrutinize all demands for

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The new law has, however, vastly stimulated both the district banks and non-credit agricultural societies. By being allowed to accept current accounts, both from societies and from individuals, with no limit in proportion on to share-capital and only the limit of having available assets equal to the total liabilities, they have

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been able to increase their resources immensely even in one year and there is little doubt that the increase will be rapidly progressive. In time, it may enable the banks to dispense with Government assistance entirely, except for long-term loans. It is already going far to extinguish their dependence on Government funds for short-term loans, always the weakest link in the French co-operative bond. Thus, in the district bank for the district of Loire-et-Cher, one finds at the end of 1921 that with a share capital of three lakhs and reserve funds of another three lakhs, the current deposits were about 25 lakhs, having almost doubled in one year. In all district banks even in reports of the previous year, one finds the expectations of a similar increase freely expressed. In some cases, as in the central bank for the Côtes-du-Nord one finds a large increase in the share-capital subscribed to and transferred by the primary societies in the last months of 1920 in view of the rapid increase expected. Further, by substituting the National Office of Agricultural Credit with its banking methods for the old departmental system, district banks now have current accounts of their own with that Office to which loans sanctioned by the Office are credited and against which they draw as and when they need, as district banks do in Bombay against the Provincial Bank and as they are trying to get primary societies to do against district banks.

In one respect, the district banks in France have the advantage of those in the Presidency, that is, their share capital is mainly owned by primary societies. Thus at St. Brieux I found that of a total of $7\frac{1}{4}$ lakhs of share capital, 5 lakhs were subscribed by societies and $2\frac{1}{4}$ lakhs by individuals. Most of the individuals also were members of primary societies ; all were agriculturists. As is well known, one of the main problems in this Presidency is the rapid increase of share capital in the district banks by subscription from societies first and secondly from cultivators. In France the membership of district banks comprises many thousands in each case, but all are either societies or cultivating members of societies, and the funds of district banks, whether shares or deposits, are the money of genuine agriculturists.

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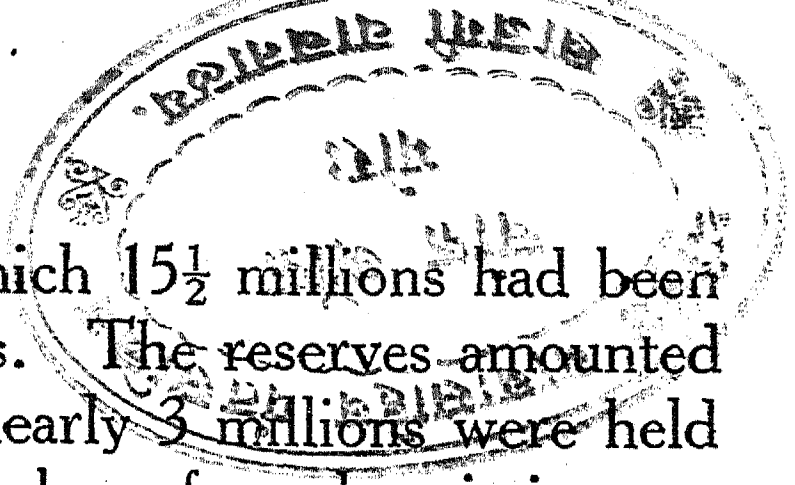
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kind, that directly or indirectly assists agriculture, is entitled to loans, even long term loans, from Government, through the district banks. The societies so authorized include societies for the manufacture of all articles or implements useful for agriculture and for all agricultural operations of collective interest, like cold storage, electric power, housing for agricultural labourers, drainage works, and of course all societies for the purchase and sale of agricultural requisites or produce. Such societies may receive loans up to six times their share capital, on condition either that the bye-laws enforce the joint and several liability of all members for the liabilities or that the members of the managing committee themselves personally stand surety for the repayment. The result is that all societies of this class can at once find themselves with a working capital of seven times the share-capital subscribed by the members. The chief glory of agricultural co-operation in France has been in its magnificent development of non-credit work, in its enormous number of well-run insurance societies, its fine syndicates for the purchase of agricultural requisites, its co-operative distilleries, and its co-operative use of electric power ; and the new legislation is fostering the growth of this Branch of co-operative work, so all-important to national development and prosperity, to an extent that should immeasurably add to the happiness of an already happy and cultured people.

The new law has been in force too short a time to allow its full effects to be so far reflected in the statistics available. But a comparison of pre-war figures with those for 1921 already serves to show the enormous advantages gained thereby. At the end of the year 1913 the various *caisses regionales* had received from the State more than one hundred million francs as loans ; and had returned in the course of the previous two years six and a half millions ; thus leaving approximately 94 millions due to the State from the Districts Banks at the end of 1913. Of this amount 73 millions had been used on short term credit, 15½ millions for long term loans to individuals and 13 millions for long term loans to co-operative societies existing for the sale or purchase of agricultural produce or requirements. At the same time the subscribed and paid up capital of the *caisses regionales*

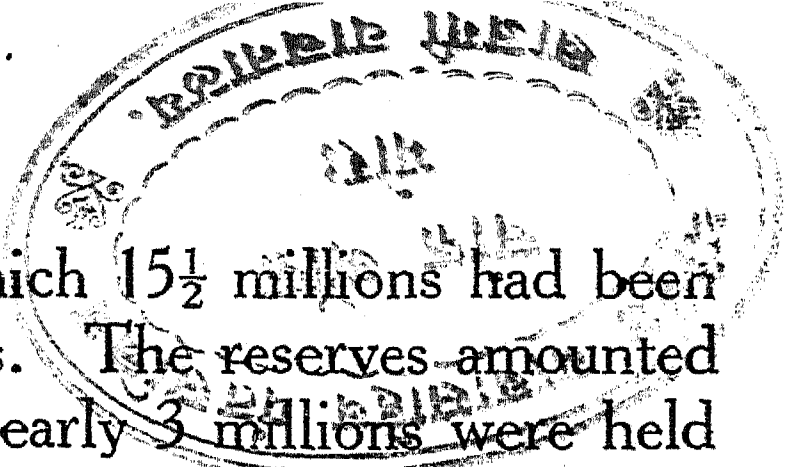
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amounted only to 23 millions, of which $15\frac{1}{2}$ millions had been subscribed by Rural Credit Societies. The reserves amounted only to 8 millions and in addition nearly 3 millions were held by Rural Credit Societies. The number of rural societies was 4,533 with 236,860 members with a subscribed capital of $22\frac{1}{2}$ millions and a paid up capital of 15 millions. On the 31st December 1921, 89 *caisses regionales*, which had taken an advance from Government, had a total subscribed share-capital of nearly 32 million francs and reserves of 26 million francs. They held deposits of $33\frac{1}{2}$ million francs. At the same date the amount of advances outstanding with the district banks amounted to about 202 million francs, and the National Office had over 94 million francs still at its disposal. The loans given by Government in 1921 amounted to 178 million francs in all. The most important feature, however, undoubtedly lies in the fact that the deposits with the banks at the end of 1921 were practically double the figure at the end of 1919, while, allowing for withdrawals and fresh deposits, the total of their operations in the year amounted to 125 millions. At the same time it appears that, owing to a close investigation by the National Office into all past loans and the assistance given by local committees, the overdues have in the main been recovered.

It is interesting to find that in France as in this Presidency the spread of co-operation varies enormously from district to district. The number of affiliated primary societies in the Basque country of the Pyrenees is astonishingly high, while in the mountainous tract of Correze co-operation seems on the other hand hardly to have begun to have effect. But the detailed lists and working of the non-credit societies in all parts of France must fill with envy any co-operator who knows the importance and value of non-credit co-operation for the improvement of agriculture and the profits of agriculture. Of the electric societies one has a share capital of Rs. 10 lakhs and another of Rs. 3 lakhs, while there are many others whose share capital is over a lakh. The largest number of members in one such society is 4,230, but there are five others with a membership of over one thousand. It is, however, regrettable that the development of sale societies for wheat and other grain is still



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slow in France. It is to be hoped that before long France will be able to achieve as considerable success in the way of such co-operative sale as she has already done in the way of co-operative supply and co-operative production. Co-operative cellars of wine and co-operative distilleries do however flourish exceedingly and there is no doubt that under the new system of credit farmers will soon be able to go further towards command of the market.

It remains to be considered how the funds, which have so far been described as loans given by Government, are actually procured. They are in fact obtained not by taxation but from the Bank of France in the following manner.

In exchange for its privileges, the Bank of France at the time of its latest agreement with Government contracted to pay an annual tax or *redevance* to the State and also to lend it another larger sum free of interest. The annual sum payable cannot be less than 2 millions and in fact usually comes to something between 4 and 5 millions, while the original advance was 40 millions. These sums form what is known as a donation fund held in deposit by the Bank, but placed at the disposal of the Ministers interested in the matter, for the sake of giving loans to various kinds of co-operative societies. The sum now held amounts to over 300 millions, of which more than half has been distributed as loans. In spite of the freedom with which loans are given, this fund was until 1920 accumulating at least as rapidly as the amounts of the loans increased, and as far as I could see there was some real danger that the total might exceed all the possible claims upon the fund even if these claims went on increasing. Under the new system, however, this danger has been removed by fuller use of the funds, aided by the depreciation of money. The system is of course to some extent intended as a remedial measure. The great fault of French finance has been the way in which money collected in the provinces by means of Savings Banks or even by taxation is centralised into the coffers of the Bank of France. The system now described at least provides for a certain amount of decentralization by reversing the current and redistributing in the shape of loans to Co-operative Societies the money originally

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obtained from the Provinces. That would however hardly appear to be the best method which in the first place immobilizes such large funds in the books of the Bank, and then in the second place causes the State actually to press its loans upon societies with a view to utilizing the large unclaimed balances.

Moreover, owing to the State obtaining its money so cheap, it at first committed what is held to be a mistake by most serious co-operators. That is to say, it gave its loans to the Co-operative Societies free of interest. The result was that the Co-operative Societies in return made their loans to members at rates absurdly below the market price and that in consequence the value of co-operative training was largely lost. It is, I fear, too often the case that the cultivator has come to look upon these loans as his right and to regard cheap money obtained by him from the State without any effort on his own part as essential to the economic life of agriculture. That the grant of loans free of interest is almost always a mistake must certainly be admitted.

To be fair, however, it is necessary to make many qualifications. First of all it is necessary to remember that co-operative credit is not an abstract thing to be ruled by doctrinaire abstractions but a living thing which has to adopt itself to environment. Now in France, before co-operative credit had begun, the system both of Savings Banks and of centralised finance had been well established, while the character of the people was and is such that in money matters they seek security above all and avoid everything which seems to them a risk. They are also accustomed to considerable control from authority and especially in financial administration. The whole history of the movement shows that there would have been little chance of success if the Raiffeisen method only had been adopted. It was necessary to assure the peasant that his money would be safe and his responsibility in reality very small. On the other hand the organization of the Savings Banks feeding the Bank of France could not well be disturbed. Secondly it must be remembered that in France rural co-operative credit was not regarded to any large extent as necessary for relieving debt but rather as a primary condition of agricultural improvement. What was really desired was the foundation of other Co-operative Societies in each village

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for the purpose of the improvement of agricultural methods. It was desired for instance that the best manure should be cheaply and safely obtained, that improved ploughs and other implements should be at the call of every cultivator, that cattle breeding should be encouraged, that fields should be insured against hail, and that cattle should be insured against death and disease. These were the ends which the French Government desired to obtain. The Credit Society was at first little more than an adjunct. It was required in order to ensure that the other Co-operative Societies and their members should have enough funds for these purposes of improvement. Its scope has now been increased owing to the war and it is used to settle ex-soldiers and others on the land and to secure that economic holdings can be bought by poor but hard-working cultivators.

Whatever may be said of the system by which the State obtains funds from the Bank of France and gives assistance for short and middle-term loans, there can be no question in regard to long-term loans.

I found by discussion with gentlemen whose whole tendency was against State intervention, that even they had to admit (what is also being forced upon our notice in India) that long-term credits are hardly possible without State aid. If loans are to be given either for the purchase of land or for its permanent improvement they can hardly be repayable within less than 30 years. Now in order that any Co-operative Society should give its members loans for such long periods or in fact for any period over 10 or even 5 years, it is obviously necessary that it should be able to count on funds which are not liable to withdrawal at short notice. But it is equally obvious that the individual depositor will not deposit money for 30 years or even for 10. Nor is it likely that any Central Bank, however co-operative in intention, could offer to tie up large part of its capital for any such period. In Italy also the difficulty has been very real. In India it had generally been avoided by the simple, but hardly conclusive, process of not giving long loans at all. It is only very recently, in June 1922, that the Government of Bombay has, in conscious and grateful imitation of French methods, led the way in India by making annual allotments of long-term loans for

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land improvement to the Provincial Co-operative Bank working in conjunction with the Registrar. The Registrar and the Board of the Provincial Bank in practice occupy in regard to those long-term loans the position occupied in France by the National Office of Agricultural Credit, a body which, with an official Managing Director, has a largely non-official Directorate. The inherent difficulties in the way of providing long-term loans by purely co-operative effort are indeed such that in France even those who would gladly see State aid gradually withdrawn or reduced in regard to short-term loans, agree that it is unavoidable for long-term loans intended for permanent land improvement or for land purchase. But they hold that the State should charge reasonable rates of interest, not too low, so as to encourage individual effort.

It is curious to notice that in France practically all co-operators are in favour of the exercise of a very tight control by the *caisse regionale* over the primary society, a control which to us who are brought up on a different system appears exaggerated and unnecessary. They hold universally that any primary society which wishes to be affiliated to a *caisse regionale* and to derive benefits from State loans must submit itself to its control. They consider that no primary society should have the power to enter into any operations which might in any way compromise the financial situation of the *caisse regionale* and the district as a whole. They desire therefore that such an affiliated primary society should lend no money without the approval of the *caisse regionale* and that even in receiving deposits it should rather act as an agent for it than as an independent body. They therefore desire that the law should be altered in the direction of giving the *caisses regionales* even greater powers of supervision and control than they have already. In fact the universal tendency is to regard the affiliated society rather as a guaranteeing society than as a Bank and in respect both of loans and of deposits as the agent and the feeder of the *caisse regionale* rather than as an independent body. They have no objection to experiments on the Raiffeisen system such as were initiated by Mr. Durand but in that case they hold that the societies should receive no help from the State and that they should not be affiliated to any

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caisse regionale. In other words, they consider that a primary society acting itself as a Bank will invariably be in a situation so precarious that it must not be allowed to imperil the success of the system as a whole. It may here be noted that, as security for loans, life insurances are often demanded and accepted and in the case of long-term loans either a life insurance or a mortgage is invariably demanded. The practice gives a further demonstration of that insistence on full security which is demanded by public opinion and enforced by the *caisses regionales*.

A type of agricultural co-operation which has only recently begun in France is that of co-operative joint cultivation. This development is still considerably less advanced than in either Italy or Roumania. At the same time it is already sufficiently important and one of the results of the war appears likely to be its further stimulation. Such societies have worked with particular success in Algeria. The movement was begun only in 1908. Most of the French societies before the war were for vineyards, a type of cultivation which lends itself particularly to co-operative work. Such a society for instance exists in Maraussan in the South of France and another at Prunet and another in Corsica at Chisonnacia. In this last society the ground cultivated was originally common land. Twenty hectares of this land was fenced and enclosed by the society. Members subscribed 10 francs per month towards the cost of all cultivation and each year have obtained very considerable profits. The co-operative method has also been employed for market gardening. One such society in particular exists at Fontenay in the Ile-de-France. That society was constituted with a capital of 12,000 francs in 1913 and it has already a reserve fund of 42,000 francs. Co-operative societies for the production and consumption of electricity have also been formed in a considerable number of villages in the north and centre of France, not only for lighting but also for driving various instruments required in the farms.

In France, as in India, the increase in fragmented small holdings has been a serious drawback to agricultural progress. It must indeed be so in every country in which all children inherit and the land is held by small-holders. The only

obtains impartiality by being without sympathy and active feelings, that can achieve a cold objectivity. I can, therefore, pretend to put forward as conclusions only those aspects which have impressed themselves upon my eye; and I am very conscious that I may be viewing the picture in a special light.

To me, however, it would appear that experience of co-operative conditions in France and Italy suggests these considerations.

First, it certainly seems to me that this experience reinforces the conclusion, already repeatedly framed by other writers, that the co-operative movement, as a living organism, must shape itself largely according to the material with which it has to deal. The sculptor in marble works with a different economy of line and detail from the artist who casts in bronze. Similarly, even where co-operation has the same ideal to express, it must assume somewhat varying forms according to the National character and the economic circumstances which are the material for its self-expression. In England, for instance, we all know that co-operation has been really successful only in the great organization of consumers' societies that it has brought to life. The system of land tenures and of rural government condemned it to failure in relation to agriculture. In building societies the individualist character of the people and the oppressive system of conveyances have led to modified success in finance but to almost total failure in co-operation.* In Italy we find the most characteristic manifestation in the societies of workmen combined for common labour and in the similar associations for common cultivation of the soil. The natural talent of the people for banking has also led to considerable success in People's Banks, a type more useful in financial results than in the growth of a true co-operative spirit. In France, the temperate, intelligent, and self-disciplined mind of the nation has found its truest expression in those producers' societies which go so far to reconcile the social problems of an industrial country and in the logical classification of co-operative objects and methods with which it has enriched the world.

* NOTE :—The recent successes of societies in the Copartnership Tenancy system have fortunately rendered this statement much less accurate than it used to be.

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final remedy lies in the rational restriction of the number of children by the use of preventives. This is in fact now largely practised by the intelligent cultivating classes of France. After the war, however, in the momentary panic caused by a comparison of the populations of France and Germany, the reactionary party has actually succeeded in passing a law that prohibits the use of contraceptives and would therefore, were it obeyed, increase the evils of undue subdivision and fragmentation.

Sub-division cannot equitably be interfered with, for it depends upon a just law of succession. But fragmentation can be cured by legalized restriping. That steps to cure it are needed is also clear. The Tenth National Congress of Agricultural Co-operation held in June 1922 described fragmentation as a "redoubtable plague of French agriculture which it is necessary for every one to combine to fight with the utmost energy".

Actual figures for France show that fragmentation has progressed as far as in this Presidency, especially in the East of France, where fragmented fields sometimes measure only a few square yards. What is interesting to notice is that the evil is by no means new in that country. Complaints of excessive fragmentation were made as early as the 16th century. In the middle of the 18th century the well-known writer, Arthur Young, and a Scotsman called Pattulo, who was a friend of Madame de Pompadour, both expressed their surprise at the excessive sub-division of land in France and in striking pictures represented the consequent impoverishment of the soil and the misery of the peasants. It was only, however, since 1900 that the full importance of the subject was understood and reacted to by any considerable number of public men. The matter had of course become increasingly important as agricultural technique was improving and as intensive agriculture was being substituted for older methods.

The first step taken in France to remedy fragmentation was to encourage the voluntary exchange of pieces of land among neighbours. From 1790 onwards up to 1905 various laws were passed, endeavouring to encourage such exchanges by reducing the duties for registration and stamping. By a law of the 27th November

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Modern French opinion is, therefore, unanimous that although exchanges should be encouraged, yet, the only real remedy is by consolidation. The definition of consolidation which has been accepted by the legislature in France is the following. "Consolidation is a method of dealing with agricultural land by which a number of fragmented properties are temporarily pooled together or reconstituted in such a way as to form continuous holdings, each of them having separate means of approach and each composed of fields of a quality approximately equal to those formerly held by the parties and containing a superficial area proportionate to the total area of the fragmented fields contributed by each of them to the total. It is in fact an operation analogous to that of the reduction of fractions in mathematics." Consolidation itself is not a new thing. It was started in Suabia as early as 1540. Various methods of consolidation were also tried in Switzerland at the end of the 15th century, and in Scotland and in Sweden in the 17th century. In Germany, especially since 1874, consolidation has been carried out on a very large scale. In Alsace, for instance, there were at the end of the war 137 such operations going on covering more than 60,000 acres and more than 35,000 cultivators. In Alsace the main object of such operations is always to ensure that every field shall have its own means of approach and roads. The survey maps are reconstituted at the same time as consolidation is completed.

Until 1918 what legislation there was in France was vitiated by the fact that consolidation could be undertaken only by what were known as "free associations", that is, by associations formed by persons who all of them agreed to the exchanges. In practice it was found very difficult, if not impossible, to obtain this

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unanimous agreement. In other countries, however, it had early been realized that consolidation was impossible unless power was given to the majority to coerce the minority. Thus in Germany a simple majority, calculated either on the basis of the acreage owned and the value of the land or on a basis of combining the number of holders with the size of their holdings, has been sufficient to coerce the minority. Majority votes were required both to agree to having consolidation and to accept the consolidation as afterwards worked out. In Alsace also majority votes were twice required, first, to accept the principle of consolidation and again to approve the final scheme of consolidation proposed by the officials who worked out the scheme. In Alsace the Association requires the authority of the Prefect alone, if it is formed only to create new communications; but it requires the authority of the Minister, if it is also intended to consolidate fragmented holdings. In that province the Agricultural Department directs all field operations and the Revenue Department collects the rateable parts of the expenses levied upon all members of the association. In fact, in most countries the characteristics of the legislation enforced are :—

(1) Authority is reserved to the official administration in these matters, and

(2) The power of coercion is given to the majority over the minority.

In France the questions are now dealt with by two laws. One known as the Chauveau law was passed on the 27th November 1918 for consolidation, and the other on the 4th March 1919 for the remeasurement and consolidation of estates in the areas devastated by the war. The former law applies everywhere in France, the second applies only to the devastated regions. The following is an analysis of the main provisions of the Chauveau law.

(1) The law accepts the principle that the majority must have the power to coerce the minority.

(2) All consolidation schemes are treated as urgent works, for which an order of the Prefect is a sufficient authorization. This order of the Prefect is sufficient to unite as in an Association all occupants, whose holdings will be affected, and the order may

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issue whether on the demand of one or more of such occupants or on the mere motion of the Mayor or of the Prefect. The law also provides that, when notice has been given, if any occupant does not at once express his decision in writing or fails to attend the first general meeting he will be considered as having agreed to consolidation.

(3) The law provides that, if any of the occupants does not agree to the general scheme of consolidation, he is allowed to resign his holding in exchange for compensation to be paid by the Association as a whole. This provision was opposed by some persons at the time the law was passed from the fear that it might cause cultivators to leave the villages and go to the towns. As a matter of fact this never happened. Consolidation invariably increases the value of each field and hence the cultivator is not likely to abandon his right for the sake of any compensation calculated on its previous value.

(4) The law provides in all other cases for an exchange in land. In exceptional cases money compensation may be given in addition, (a) if it is impossible to provide exactly equivalent fields, or (b) if the owner has had to give up more or less temporary surplus values such as drainage, trees or manure.

(5) The law provides a Committee of Arbitration to decide all disputes which might arise between the members of the Association.

(6) The law provides what is very important, *viz.*, that all mortgages and similar encumbrances shall be transferred summarily without any further legal procedure from the former holdings to the new holdings.

(7) The law exempts from all stamp or registration duties any documents made in consequence of the consolidation.

The actual method described for the work of consolidation is as follows :

Sufficient notice is given to allow of any complaints being made and considered. After the completion of the preliminary investigation, the Prefect calls a general meeting of all occupants of land who are likely to be affected. If the majority agrees, the Prefect then authorizes further action, and the first general

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meeting appoints a Committee which is to be the Arbitration Committee. The Managing Committee then proceeds to class and value all the holdings occupied in the area to be consolidated. A small committee of cultivators usually makes this classification and valuation. After this is approved, the Committee with the help of trained officials draws up the consolidation scheme, which is then submitted to the general meeting. If the majority accept this scheme, it is then countersigned by the Arbitration Committee. Two months after this countersignature the actual exchange of property and the resulting transference of encumbrances is made by the Sub-Judge who presides over the Arbitration Committee. The law itself does not provide for Government bearing any share of the cost of consolidation. By executive order, however, this is actually done. The assistance of the Agricultural Engineer is placed at the disposal of any such association. An Engineer under the Agricultural Department comes to the spot and examines the scheme and the Ministry gives a grant to the Association up to one-third of the total expenditure. This is the general law that applies to the whole of France. The procedure prescribed by the law is however considered too dilatory and the co-operative agricultural movement in France is now making efforts to have it shortened. •

The provisions of the law of the 4th March 1919 applying to the devastated regions are as follows :—

(1) The law provides for the constitution of commissions composed each of 11 members, partly official and partly non-official. Their business is to try to discover and re-establish the boundaries of holdings as they were before the war.

(2) The law provides that advantage should be taken of the circumstances of devastation to improve the formation of the holdings of cultivators.

(3) Consolidation may be taken up either on the motion of the Commission itself or on the motion of any occupants of fields in the area. The proposal has to be placed before a departmental commission, whose headquarters are the Prefecture, and which is composed of officials and of cultivators nominated

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by the local boards and cultivators, appointed by co-operative societies. The Prefect decides and issues orders for consolidation on the advice of this commission. In this law, it is provided that each occupant shall obtain land of value approximately equal to that of the fields which he owned before the consolidation.

In the other law, it has been provided that he should obtain land of equal size and quality. Here the provision is only for equal value. The final approval of the consolidation scheme is given by majority vote. The moment it is approved, the survey maps of the village are reconstituted. The Department of Land Records actually executes the operations and carries out the decision of the committee and finds the necessary money and material for the operations. If the consolidation is done on behalf of an association or society, Government bears all the costs of the operations except the compensation to be paid to owners, who resign their holdings.

These then, are the two laws which at the present apply to all consolidation in France. In the devastated areas, the results achieved have been magnificent. In the rest of France, however, it is regrettable that the achievements have been comparatively poor. One reason has been, that the Co-operative Movement has not been as influential in the rest of France as it has been in the devastated areas. In some cases, in the devastated areas the figures are surprising. Thus for instance, in the small village of Witry there were 6,262 fragments belonging to 233 owners before consolidation and only 1,320 after consolidation. The number of fragments owned by each holder was brought down from 26·8 to 5·7. The coefficient of reduction was 79 per cent.

French cultivators are agreed that in order to induce cultivators to take up consolidation freely, regular propaganda is required and that this propaganda must be done through the Co-operative Movement and by training in the other advantages of Co-operation. They consider that the first step should be the foundation of other Co-operative societies, both for credit and for production and sale, which should serve as pioneers to the greater reform of consolidation of fragmented holdings. They desire also that

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the law should be so amended throughout France, that in all cases an equal exchange by value should be sufficient instead of an exchange by equal size or quality. They also desire that the procedure prescribed in the law should be simplified and quickened as much as possible. They also desire that the help of Government officials for the technical work and the help of Government finance towards the expense should always be given and that every consolidation should be accompanied by a reconstitution of the survey maps. They also desire that, in order to prevent succeeding sub-divisions again producing a state as bad as that which consolidation has removed, special rules should issue for partition in order to prevent any such further fragmentation.

It may be noted also that in addition to such legislation for consolidation, recent laws have, in France as in Italy, allowed the constitution of small family properties for cultivators, which properties during their duration cannot be attached or sold or divided by any order of a Civil Court or otherwise. The Italian law was introduced by Luzzati, at that time Prime Minister, who is also so famous for the work he did for Co-operation. The general principles of the French and Italian laws are practically the same. The idea is that the head of the family may, by a declaration before a Magistrate or similar official, and after due notice, constitute any rural property including his house into a family property, which shall then be inalienable and exempt from attachment or seizure during his life-time or until such period as it passes to a major heir. Only a small property can, however, thus be converted into a family property. Once it is so constituted, it cannot be transferred by will. The family property continues to exist and cannot be divided so long as there are minor children, but it may be divided when all the children come of age. As long as any of the children are minors, the administration of the family property on the death of the father passes to some one appointed by the head of the family. If no one is so appointed, it passes to the remaining parent ; and if there is no parent living, or if living, the parent has married again, the administration is decided by a family council. On a succession if there are several children or several co-heirs, the property will

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be assigned to the one who is able to offer payment in money equal to the value of the portions due to the others. If two or more persons make the same offer, the matter is taken before the Judge and lots are drawn to establish which shall have the preference. The heir may within two months declare his intention of maintaining the constitution of the family property, and in that case the property will so continue without interruption. In Italy the fees for stamps and registration on such property are reduced to $\frac{1}{4}$ th of the ordinary rates.

The agricultural co-operative movement in France has at its top a national federation called the *Fédération Nationale de la Mutualité et de Co-opération Agricole*. This federation is formed from the credit societies, insurance societies, agricultural syndicates and co-operative societies of the country. Some individual members are also admitted but these have no power of voting. The Federation obtains funds mainly by subscriptions which are fixed according to either the amount of loan obtained, if the affiliated societies are credit societies, or according to the number of members if they are agricultural syndicates. This federation has a very real and valuable existence. It publishes a monthly magazine called "Annals of the Society" and has a permanent bureau of information which is extremely valuable. It arranges Conferences and it has constituted permanent committees for the study of administrative, judicial and technical questions. The federation is divided into four sections, one for credit societies, another for agricultural syndicates, a third for agricultural societies for production and sale, and a fourth for agricultural insurance. Each section is administered by a committee of 10 members elected by a general meeting of delegates of the institutions which form each section. In addition there is a central committee composed by the committee of four sections and governed by a bureau consisting of a President, 4 Vice-Presidents, 3 Secretaries, and a Treasurer. The federation represents the agricultural societies to the Government and its local authorities and it has obtained from the Railway Companies the concession of half-fare for all delegates going to attend Conferences.

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It will be seen that credit has only been a secondary matter in the French system of agricultural co-operation. The primary object of the State has quite correctly been the improvement of agricultural methods and the increase of production. Credit has been regarded mainly as subsidiary to increased production and as fostering general agricultural co-operation, represented in the first case by agricultural syndicates and subsequently by those societies of co-operative insurance, which are essential to the property of a nation of small cultivators. The object has not been so much to teach economy as to effect those improvements by bringing back money to the peasants when required. It is true that a French peasant does not need any lessons in thrift ; what he does require is to be taught a higher standard of comfort and the more scientific application of his resources to his trade. I cannot doubt that the French method has succeeded admirably in this purpose.

If the system is to be fairly judged it must be judged as a whole. It is not fair to do as Mr. Wolff for instance, the greatest authority on People's Banks and co-operative credit, has done, namely, to fix the gaze merely on that credit branch of the movement which in France is the subsidiary branch. If this is done, it is of course easy to find fault with the system and to contrast it unfavourably with the Raiffeisen methods of Germany or with the methods we have followed in India. It is true that the credit movement in France has done little or nothing to encourage those moral qualities and especially that quality of thrift which have been stimulated by the Raiffeisen method in Germany and which we hope to stimulate in India. It is still truer that the giving of loans by Government free of interest was apt to destroy the spirit of self-help and was on the whole deleterious. I must certainly agree with those who preferred to see a moderate rate of interest charged. But it must be remembered that conditions in either Germany or India are and were very different from those in France. To start with, in Germany large estates were common and the peasant was on a different social and economic scale from the French peasant. The German peasant was drunken, brutal and thriftless ; he was also singularly unintelligent. The Indian peasant is neither brutal nor generally drunken, but he is very often thriftless and he is usually ignorant. The French

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peasant, except perhaps in parts of Normandy, is neither drunken nor brutal nor ignorant. On the contrary no country in Europe has a finer peasantry. He is thrifty even to a fault, and it is far more necessary to teach him how to spend his money wisely than how to save. In all these matters the agricultural co-operative movement in France has succeeded admirably. But the measure of its success is to be found in the increase of other co-operative societies, in the results achieved in obtaining cheaper manure and good weight, and in the increased use of improved implements.

It is much to be desired that agricultural co-operation in India should also learn to measure its success far more than it does by its results in increased production. The progress of credit societies has no doubt been a subject for legitimate satisfaction. It is all to the good that the cultivator should be able to find easy money at reasonable rates at his door, and it is still more to the good that he should have been encouraged to save money and especially to feel the solidarity of the village cultivator in face of the temptations of the usurer or merchant. But it can hardly be denied that we have paid too little attention in our satisfaction to the objects to which the money is devoted. Redemption of mortgages for instance and repayments of old debts may be beneficial but they are beneficial only to a small extent. In the first instance they merely substitute for a single creditor on usurious terms, a body of creditors formed into a society and demanding more reasonable interest. The value of the exchange will only be proved if the debtor ultimately learns thrift and care by the exchange. It seems more than doubtful whether it is right that so large a part of the funds of our credit societies should be diverted to gain so small a benefit. On the other hand the progress of the other agricultural co-operative societies, such as seed societies, manure societies, cattle breeding or cattle societies, implement societies, and insurance societies has lagged woefully behind. Even where they have been started they have too often been organized separately from credit societies in villages where no society exists and where in consequence they have small chance of success.

In India we stand at the threshold only of the co-operative edifice of the future. Effort has so far confined itself mainly to a method intended to provide individuals with the resources needed for their professional activity, and in particular with rural credit, where individual cultivators are through their combination in a society of unlimited liability enabled each to get those resources in cash that he needs for his own cultivation. In the last few years, however, Peoples' Banks in Bombay and partly in Burmah have gone far to provide in co-operative form the banking facilities that are so urgently required for national progress, while a good beginning has also been made with Co-operative Housing in Bombay. But even in agriculture little has so far been achieved beyond the grant of easier credit. There is even a tendency, due perhaps partly to administrative routine but much more to the want of educative propaganda by keen non-official workers, to neglect the essential truth that the tests of success in agricultural co-operation are increased production and increased profits. One is apt to forget that the credit society is a success only if, by its means, the cultivator grows two ears of corn or picks two pounds of cotton where before he had only one and obtains a better price for his produce. Too little attention is paid to organizing the sister societies, even more important, for providing the cultivator with the resources he needs in chemical manures, modern implements, good seed, and honest markets. France can offer a suggestion here, even if it is not a model that can not be slavishly copied, by the institution of agricultural syndicates. Similar clubs or associations in union centres might in this Presidency also prove a stimulus to improved cultivation.

Secondly, the lesson which it seems to me may be legitimately drawn and must in fact be observed if the movement is to progress soundly, a lesson learnt both from France and from Italy, negatively in the one case by way of warning and positively in the other, is that in practice the co-operative leader must always have before his eyes a clear classification of co-operative societies, objects and methods. It must be recognized that resource societies, consumers' societies, and producers' societies start with different ideals and in consequence have

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Even if nothing else, I think at least that the following lessons from the French system deserve consideration in India :—

(1) Agricultural co-operation must be treated as a whole movement of which agricultural credit and agricultural co-operative societies for purchase and sale, insurance, etc., are all interlaced members.

(2) The agricultural co-operative movement must be treated quite separately from those of consumption or industrial production. They may all centre in one Registrar but they should be treated by different methods and as far as possible by a different subordinate establishment, while their ultimate problems require consideration by different Ministers or Departments of Government.

(3) Agricultural co-operation as a whole should be directed towards increased production, agricultural credit being only one of the means, though perhaps the most powerful, in the task.

(4) The movement can never at any stage of development be wholly dissociated from Government supervision and control. It cannot for instance be entirely dissociated from the interest of the head of the district, and Government inspection and audit would seem to be a permanent necessity in this branch of co-operation, for which the assistance and advice of the agricultural department is also essential.

(5) In India the Provincial Co-operative Bank practically takes that part in supplying loans which in France is played by Government. In actual practice the moral or other difference made by this fact to the primary society and its members is almost negligible. But while in India the loan is recommended by a single Government official, the Registrar, and approved by the Directors of the Bank who are mainly industrial financiers and have no special acquaintance with agricultural conditions, in France the loans are approved by a committee especially nominated for the purpose and chosen from non-official gentlemen who have a special acquaintance with the subject. What is in my opinion essential is to keep the Provincial Bank confined to agricultural or at least to resource operations. It should not be allowed to consider itself a Bank for

Even if nothing else, I think at least that the following lessons from the French system deserve consideration in India :—

(1) Agricultural co-operation must be treated as a whole movement of which agricultural credit and agricultural co-operative societies for purchase and sale, insurance, etc., are all interlaced members.

(2) The agricultural co-operative movement must be treated quite separately from those of consumption or industrial production. They may all centre in one Registrar but they should be treated by different methods and as far as possible by a different subordinate establishment, while their ultimate problems require consideration by different Ministers or Departments of Government.

(3) Agricultural co-operation as a whole should be directed towards increased production, agricultural credit being only one of the means, though perhaps the most powerful, in the task.

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financing all classes of co-operative activities. That would form a task beyond the powers of any Bank. It should regard itself merely as a supreme financing agent for resource and mainly agricultural co-operation. I do not mean of course that it should be precluded from investing its balances as occasion arises in other Banks or even other classes of co-operative society. But I hold that it should be allowed to do so only for such periods when it is unable to use its funds in full for agricultural purposes and that it should lend only to such non-agricultural co-operative societies as are themselves at the top of their respective movements and are financially thoroughly sound.

URBAN CREDIT OR RESOURCE SOCIETIES.

In addition to co-operative agricultural credit the French State has in the last few years found it necessary to take steps to develop non-agricultural or Urban credit for the benefit of artisans and petty merchants. The law of the 13th March 1917 was passed to provide for giving credit to artisans and merchants on short terms, a short term loan being one for less than a year. Some years before that date, of course, People's Banks established mainly for that purpose were not unknown in France. These, however, had been establishments created without the aid of the State by private individuals or by societies acting in a co-operative spirit. The most important figure in the movement was Rayneri, the founder of the Bank of Mentone. Several other Banks had been organized in the South of France through this gentleman's influence by the Centre Fédératif. But the most important of these Banks was that at Mentone, and it was a great disappointment to me when I went to Mentone to study its working to find that the war had reduced it to such a position that its further existence as a separate Bank was impossible. Depositors during the war had hastened to remove their deposits. In consequence, its financial position was such that failure became probable. As the lesser evil the members and Directors of the Bank decided to amalgamate with the Commercial Bank of Italy. That Bank is a joint-stock affair, although it finds its best business in serving the same class for whose benefit the People's Bank had been established. Some other Banks of this

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type have survived the war but they have all of them been hard hit by these unexpected conditions. These Banks were all of them framed on the model of the Italian Luzzati Banks. They have been extremely useful but at the same time they are open to the same objections which can be brought against the Luzzati Banks in actual practice. To start with, among their members there are only very few artisans and working men. The members are mostly of a rather wealthy class. In consequence these Banks are rather too apt to seek to increase their profits at the expense of co-operation, and they have done business, such as the cashing of circular notes, which is not suitable to a co-operative society. Moreover, these Banks though they should have been essentially urban have been rather apt to finance agricultural primary societies, thereby intervening prejudicially in the normal organization of agricultural credit, while at the same time lessening their utility in the sphere for which they are intended. In these facts there are lessons to be learnt by co-operators in India, where the relative spheres of Urban Credit Societies and District Central Banks are still to be demarcated. The moral to be drawn both from France and also from Italy in this respect is in my opinion that it is desirable that the whole agricultural credit movement should be fed by or through the District Central Banks under fairly strict supervision and control, while Urban Credit Societies and People's Banks should be encouraged and given greater freedom within their own sphere but excluded from dealings with agricultural credit.

The objects with which the law was passed and the movement initiated were, of course, the objects which in all countries are before the urban credit co-operative movement. The main object was to furnish to small traders, artisans and to small manufacturers the credit necessary for them in the ordinary exercise of their trade, their craftsmanship, or their industry. It was felt, in particular, that funds were commonly required for the purchase or installation of a shop, for working capital, and for the discounting of bills of exchange given by purchasers of goods supplied. These indeed are the purposes for which urban co-operative banks have in all countries to supply funds. In France, however, it does not seem to have been contemplated,

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to nearly the extent to which our banks in India often devote their funds, to supply credit for the repayment of old debts or long term loans for the purposes of building houses or the education or marriage of children. It must, I think, be admitted that here in this Presidency our banks are forced (perhaps in the circumstances of the country by unavoidable conditions) into a less safe position by tying up an undue percentage of their capital in unproductive long term loans of this kind. In France, conditions seem to have made it possible to avoid this danger.

The scheme introduced by the law of March 1917 was the creation of two classes of society : one, what we know here in India as an urban bank or an urban credit society ; the other, a form so far unknown in this country called " a society for mutual caution," or, as we should probably call it here, a society for mutual guarantee. The essential point in these societies for mutual caution is that they themselves are not to lend money or to undertake any real banking operations. Their share capital may not be used for lending or banking business. Their object is merely to endorse and guarantee the trade bills or promissory notes drawn or endorsed by their members. By this mutual guarantee it was felt they would strengthen the credit of every single member of the society. In the way of capital all that they require is a sum sufficiently large to represent a real financial guarantee for the responsibilities that they assume in endorsing their members' bills. For so endorsing the bills the society charges a commission, from which the profits of the society are derived. At the same time, the urban banks are in no way prohibited from accepting bills without the intervention of such a society.

The following points in the constitution of a " society of mutual caution " require attention. The society may either be limited (in which case the liability must at lowest be double the face value of the shares) or unlimited ; but the Ministry has advised the adoption of the unlimited form as being most calculated to strengthen the credit of all members. The capital is raised by the issue of shares of 50 francs each, of which at least one-quarter must be fully paid up. The capital, when

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raised, must be invested in securities or fixed deposits in a bank and the details of investments must be registered in the courts and published. The society is allowed to charge commission on all the guarantees given by it, and it is these commissions which form the income of the society. The profits have to be distributed in the following manner:—10 per cent. must first be paid into the reserve fund; secondly, dividends at 4 per cent. may be paid on the paid shares; of the balance then remaining, three-quarters will go to reserve fund; and the quarter which remains would be distributed among members as a bonus on the amount of business done by them. When, however, the reserve fund is equal to half of the subscribed capital, no further payments to reserve fund are necessary. One important point in the bye-laws is that the general meeting must fix each year the maximum total of all liabilities to be assumed by the society, while the managing committee has also to fix the maximum credit allowable to each member of the society. These are provisions which are actually in force and not merely left on paper.

The general scheme of the urban banks is not very dissimilar from that to which we are accustomed in this country. The following points, however, are important, and do differ materially from what is at least the practice here. First of all, all loans were limited to one year, and the maximum period for the discounting of bills was and is fixed at six months. Secondly, as a rule, shares can be paid by instalments not exceeding seven in all. Thirdly, the dividends to be paid on shares are never to exceed 5 per cent. (now 6 per cent.) and bonuses *pro rata* to all customers are provided for after payment of this dividend and the ordinary payment to reserve fund. Maximum credits have to be fixed for each member. By law also they are limited to a certain category of customers and a certain category of requirements. They may accept deposits from any one, but they may not deal with any one except merchants, manufacturers and commercial societies for the normal exercise of their industry, commerce, or trade. This being the general scheme, an essential point of difference now arises between what we know in India and what has been introduced in France.

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In India, our urban banks and societies have to raise their capital entirely by their own efforts, by deposits received from sympathisers or from members, and occasionally by loans from other co-operative banks. Government remains aloof. It gives no grants and no advances. In France, on the other hand, every society established under this law has a right to claim loans from the Ministry, derived ultimately from the funds of the Bank of France. Under its agreement, the Bank of France placed 12 millions of francs per year at the disposal of Government to be distributed as temporary loans without interest to all urban banks organized under this law. The intention no doubt is, as is declared in the circular from the Ministry, that these advances are to supply initial assistance and to help these banks in their early stages. They are given for a period of five years only. But it is admitted that these loans may be renewed, and, judging from what has happened in agricultural co-operation in France, it seems almost certain that their renewal will be demanded and conceded. At the same time, the Ministry urges upon the banks that in spite of receiving these free loans they should not themselves give credit to their members at less than the market rate. It is however, doubtful again whether this condition will be rigorously complied with, and whether it is not an almost inevitable result that members of these banks will use all their weight to ensure that they should pay the smallest sum possible for the money that they have so easily obtained.

This being the constitution of urban credit in France as introduced by the law of 1917, it will now be of interest to observe the results of the movement. The report for the year ending 31st December 1920, submitted by the Minister of Commerce and Industry, in whose office the work of the Registrar of Co-operative Societies for urban societies is performed, is now before me. It appears from it that, as might have been expected, the societies of mutual caution have proved an absolute failure. So far only six societies of this kind have been registered and it seems clear that their organization has been practically useless. The Minister indeed expressed a vague hope that the urban credit banks as they develop may themselves organize under

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their auspices further societies of this kind in order to allow the poorer traders and artisans more easy access to their custom. To me, I must confess, it appears as if even this aspiration would lead to nothing. The real fact is that societies of this kind, like the vague "federations" in this country, are probably doomed from the beginning by two factors, one, that they have not real financial management in their own hands, and secondly, that they must inevitably remain under tutelage and be of far too small importance to attract to their service any men of energy or talent.

While, however, societies of mutual caution have failed dismally, the urban banks, on the other hand, have made a considerable and valuable advance. They are effectively managed by persons of the very class for whose assistance they were devised. The Minister notes that in France (as in India) these banks have already been a factor of considerable importance in decentralizing finance. They tap local deposits and use them to support local industry. It is also noted that they have furnished excellent schools in the proper management of business for their members. But it is also noted that in addition to the 12 millions of francs obtained from the Bank of France as advances to these societies, another law dated the 24th of October 1919 opened a further credit of 50 millions of francs to be distributed among these urban banks for exclusive use as long term loans for the re-establishment of business and trades, the owners of which had served in the army during the war, and had, in consequence, seen much of their business destroyed or vanishing. Similar long term loans are also given to widows of men of this class killed during the war. This law of 1919 has, therefore, made a considerable advance beyond the original conception of the law of 1917. Instead of having short term loans only, assisted by a grant of 12 million francs, we now have long and short term loans, side by side, assisted by separate credits from the State. In addition to assistance, the Government has also furnished other help by the publication of many circulars and propagandist papers and by orders to all Prefects to encourage the organization of new societies of this kind. In addition,

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Chambers of Commerce, Savings Banks and various commercial syndicates have been pressed by Government to give their assistance in the organization of urban credit.

At the present moment there are in all, working in France, 77 urban banks. They have been organized in a systematic manner, and the areas over which they operate have been clearly demarcated and as a rule correspond to the administrative districts. All towns of any importance and all administrative districts, in which Commerce and Industry are actively represented, are now provided with a bank of this description. A national apex bank for urban credit is under consideration. Of the banks actually in working order, one-third have not yet been able to receive any benefits from the loans granted by Government as the sum has proved insufficient. Loans actually given amount to 11,700,00 francs granted to 42 banks out of the sum of 12 millions for short term loans and 20 millions have already been distributed in all to 43 banks for longer terms. Another 10 millions have been sanctioned but have not yet been paid out. The report published does not give information about the full working capital of these banks, and I am, therefore, unable to compare the results of their working in tapping local deposits. What is, however, quite clear is the rapid and successful extension of these societies in a period of two years. In two years, France has been able to provide practically every district of the country with one bank of this kind. The part of their working capital received from Government alone represents about a crore of rupees. As, by law, the loans given by the State cannot exceed twice the share capital actually paid up, it is clear that at the very least the working capital of these banks must already amount to $1\frac{1}{2}$ crores. It is probable, of course, that it greatly exceeds the sum, but it cannot be less. When we consider how many districts in this Presidency are still left without anything that can fairly be called an urban bank and some without even the smallest urban credit society, it must be confessed that in the rapid organization of such societies at any rate we still remain painfully behind the progress made in France. The low rates of dividend allowed also point to a greater selflessness on the part of sympathisers, share-holders and

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depositors. On the other hand, what we have here in India to the good is that, whatever has been done has been achieved by popular effort alone without financial assistance from Government. I cannot help feeling that there is a greater guarantee of strength for the future in a system which dispenses with Government loans and does not charge the tax-payer with the maintenance of urban credit. Urban credit should be able to stand on its own legs. Its march will certainly be stronger if it draws upon its own forces. But whatever they may think of this provision, all will at least join in congratulating the co-operators of France upon the happy progress they have made in this important branch of the movement. The popular control of popular finance, the local support of local industry, and the self-disciplined democratic control of the people's banking are measures of the utmost importance to co-operators throughout the world.

CONSUMERS' SOCIETIES.

Admittedly consumers' societies were not an original development of co-operation in France. They are an importation of comparatively recent date, and they have been modelled in the main upon English example. The French wholesale society did not begin to work until 1907, and until the war it may be said broadly that this type of co-operation was in France neglected and even opposed by the Government. For this opposition there were various causes. Partly, the Government was naturally enough afraid of the extreme socialist tendencies of the movement. Partly, the opposition was due to the influence which private industrial and commercial firms were able to exercise upon Ministries or upon the administration. Since the war, however, there is no question of the immense support given to the movement by the French Government. In that emergency the administration was forced to recognise that the co-operative societies for consumption were not only of enormous advantage to the public but were in fact the only efficient means for the easy distribution of food and clothing and for keeping prices in the market at a fair and reasonable level. While the British Government was rousing the antagonism of the British consumers' societies by a series of ill-judged measures during

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different methods : that their finance is necessarily conducted on different lines : and that their federations must be different and separate. It is not only that the ultimate political aims, which in the end their respective followers will represent to themselves, are and will be different but there is an immediate practical danger if their financing agencies and methods are confused. The provincial banks or the district banks on which the sluices of co-operative credit and resource co-operation pivot cannot imperil this substantial movement by lending money derived from individualist holders of property to collectivist societies struggling precariously against competitive trading forces. Producers' societies may combine to found a bank of their own, as they have done successfully in France. Consumers' societies should depend as little as possible on loans of any kind, which only too often serve as a lure to risky and ultimately ruinous business, but should build up their trade by educating consumers to loyalty, increasing their membership, and, if necessary, by obtaining more and more deposits from their own members.

The Luzzati Banks in Italy exemplify forcibly the prudent remarks made by the committee on co-operation in India in regard to urban societies. Such societies will always tend to depart in some degree from the strict lines of true co-operation. But it must not be forgotten that their influence is remedial. The economic diseases of India are the holding up of huge hoardings of money out of circulation and the centralization of finance. Urban societies tend to remedy both maladies. They bring back into circulation and public use money which would otherwise lie idle in the ground and they serve to some extent to decentralize finance. Moreover, in a country as devoid of local banks as India, they provide facilities for the deposit and easy transfer of money which are of great value. I conclude, therefore, that every effort should be made by all connected with the Department, especially by non-official workers, to stimulate the foundation of such urban societies, while at the same time supervision must be maintained to keep them on lines as co-operative as possible and to strike off the list those which have definitely gone over to the methods of joint-stock

the war, and thereby driving the co-operators of the country into an active political agitation and opposition to Government, the French Government in the same emergency learnt the lesson of the utility of consumers' societies easily and well and, the lesson once learnt, adopted with thoroughness the policy of giving every possible legal and administrative assistance to the movement.

By a law of the 7th May 1917 the legal position of such societies was for the first time properly defined and facilitated, and at the same time steps were taken to furnish such societies with loans from the State. By a decree of the 5th September 1917 the administration of the law was amplified and made easier and model bye-laws were prepared in consultation with the National Federation. In February 1918 an advisory committee was established under the Minister of Labour to consider all questions connected with such societies.

Before, however, the question of consumers' societies in France is considered in detail, it is necessary to dwell on certain general principles which are too often neglected and which it is essential to grasp clearly in India, now that we stand at the threshold of a new movement towards consumers' societies. It has been said that in regard to societies of this class France has no claim to originality in practice. It is a fact that the development of consumers' societies has been earliest and most successful in Great Britain. But France has made a great contribution to the movement by classifying its purposes clearly and by distinguishing them so as to leave no room for confusion with other movements which also come under the general conception of co-operation. This clear classification and definition contains for us in India many lessons of such immediate and urgent practical consequence that it is important to grasp its bearings and its results from the beginning.

All co-operative societies can be brought under a triplicate classification.

The first part is comprised of societies whose object is to procure for their members resources necessary to them for the individual exercise of their trade or profession. So far no general name for such societies has come into vogue. What has been

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adopted in Indian practice as the best name for such societies and what I propose to call them in this pamphlet is Resource Societies. Of such resource societies the most important type is that of credit societies. Owing to the importance which credit societies gained in Germany and the influence which German thought was for too long a time enabled to exercise over Europe, the general classification has been frequently obscured by confining the whole class to credit societies. But as a matter of fact resource societies include many other types. A seed society for instance, or a manure society, an implement society or even a cotton sale society is nothing more or less than a resource society. In all these cases the object is to assist the member individually, without touching his proprietary or individual rights, in the exercise of his profession by procuring for him the resources that he needs in money or in professional instruments. At this stage co-operation leaves untouched the existing ideas of individual rights to labour and the individualist conception of society. Industrial resource societies, credit or non-credit, may exist as well as agricultural resource societies.

The second class of society is that which exists for collective production, in which a number of persons combine in order to exercise a trade in common for their common advantage. This type of society originated in France and has been most developed there. It is unknown in India, but it is to be hoped that in the next year or two such societies will be initiated.* These societies depend on a conception of the State more advanced than that which underlies the idea of resource societies. They also accept the idea of profit and they are not actively antagonistic to the individualist conception of the State. But they seek their profit not as individuals but collectively for the society as a whole.

The third division is that of consumers' societies. Consumers' societies, which include building societies (for a house is an article of consumption as much as a piece of bread, though its consumption is slower) attack profit itself. The object of the consumers' society, or rather of the movement as a whole, is the

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gradual collective appropriation of all means of exchange or production by all consumers in common, and the substitution of a collective method for the existing competitive and capitalist régime. This in fact has been made the motto of the national federation of consumers' societies in France. The conception is due not only to the dislike entertained to individualism and capitalism, in principle, but also to the fact that members realise that all competition is wasteful (as for instance in railways which are owned by private companies) and that the community has to pay for the waste. From this general purpose the following objects have been more narrowly deduced or defined, namely,

(a) co-operative societies are those whose object is to procure articles of consumption including houses for their members : and

(b) the following are objects which shall be stated in all model bye-laws as being the objects of consumers' societies :—

Firstly, to sell to members and customers articles of consumption bought by the society or manufactured by it either by itself or in combination with other consumers' societies, and secondly, to distribute its profits among its members at a *pro rata* of the consumption of each member or to apply the whole or a part of the profits to works of social benefit on conditions determined by the bye-laws.

It is difficult to imagine any definition of objects more clear and more suitable to the bye-laws of a consumers' society and this definition has now been followed in this Presidency in model bye-laws for consumers' societies and with slight verbal modification for building societies.

The French leaders of the movement have also summarized the arguments to be used apart from this principle in inducing persons to form new consumers' societies on the following lines which, in my opinion, can hardly be bettered :—

(1) The consumers' society protects health by preventing adulteration.

(2) By its influence and example it lowers prices all round.

(3) By the bonus system it provides its members with an easy method of saving and of learning thrift.

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(4) By its management it secures for the working classes an efficient education in administration.

It will be noticed that French thought very rightly abstains from holding out the inducement of immediately reduced prices. As a matter of fact it invariably takes time (and the time may extend over years) before the amateur management of a consumers' society can really succeed in competing with the expert retail trade in the direction of cheaper prices. It will often be found to be the case that the local retail trade can fairly undersell the society ; it will always be found that, if the society tries to sell considerably below the market price, the retail trade will meet it by selling at a lower price and if necessary at a loss. The inducement of lower prices should therefore never be held out as a primary reason for forming a society. In this Presidency we have had the example of several failures in stores formed too quickly and without sufficient understanding or forethought because of this fallacious inducement. The inducements stated above are, however, all of them valid and should be sufficient to effect their purpose. To them may be added the following which in France have been found to be conditions for success :—

- (1) To interest as many consumers as possible ;
- (2) Never to promise more than can be fulfilled ; and
- (3) To insist on the moral and liberative side of the movement.

With such considerations placed before them it should be almost as easy for enthusiastic workers in the cause to lead employés and workmen in the industrial centres of Bombay to establish and administer consumers' societies as it has proved to be in France.

At this stage it may be interesting to examine the actual figures for the development of the movement in France. In 1914 the number of societies, excluding the Wholesale, was 3,156 with members numbering 889,711 in 3,078 societies whose figures are available. The turnover for 2,988 societies whose figures are available amounted to 315 millions of francs. I have not got the latest figures showing the progress after the war, but I believe I am correct in saying that while the number of

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societies may be reduced, partly owing to much needed fusion of scattered societies, yet the membership has more than doubled itself. I attach a statement showing the development of the French Wholesale Society for 1907—1918.* It will be seen that the volume of sales increased enormously in the last two years available and, even allowing for the diminished value of money and the higher price of articles, the total rise in business is astonishing and full of happy promise for the future. The one disappointing feature of the figures is that so small a fraction of the consumers' societies in the country are affiliated. It will also be seen that in the last three years the Wholesale society has followed on a small scale the example of the British Wholesale by itself undertaking the manufacture of some of the articles it sells.

What is worth noticing in these French Societies is that, unlike the British Societies, they endeavour to make their appeal as wide as possible. The British Society is not designed to attract customers from a higher social class or to meet their requirements. In France also it is obvious that the chief appeal must lie to the working classes, but every effort is made (and in Paris successfully made) to cater for other customers. Thus for instance numerous Restaurants have been started throughout Paris. I had the pleasure of being taken to luncheon in one of these by the Secretary of the Co-operative Union, and found that it was managed on a scale attractive to the ordinary middle class. Both the food and the service and attendance were distinctly better than are obtainable in the Duval or Bouillon Restaurant usually frequented by the *Bourgeoisie*, though obviously it could not be put into comparison with the really good restaurants of Paris, with a Voisin or even a Marguéry. Again consumers' societies have been started for artists, for instance at the Opera, while the charming *midinettes* of Paris have lately started several. Every effort is being made to enlist the sympathy and co-operation of the intellectual classes and there is no sign of that hostility to a well-dressed customer which is, I believe, often noticed in an English co-operative society.

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These co-operative societies are grouped for propaganda purposes under a National Federation of co-operative societies of consumption. Model bye-laws provide for each society being a member of the federation. For business purposes at the head of the movement is the *Magazin de Gros* or Wholesale. But every society is not affiliated to it, though all should be, and though the model bye-laws provide for affiliation. Under the Wholesale again are various *Unions regionales d' achats*. Of these the most considerable is the Paris Union, called *L'Union des Co-operatives*. This Union has at present 66 affiliated societies or branches distributed in every Arrondissement of the City, even the 7th and 8th (Faubourg and Etoile). In addition there are 137 branches in the suburbs, and a small number in villages in the Oise. The Union has 32,000 members and its monthly turnover is just under 5 millions. This Union undertook important services for the Municipality during the war such as the daily distribution of potatoes and dried vegetables to six hundred thousand nominees and the distribution of coal from the municipal stock. It is administered by a committee of 15 members. Shares are 100 francs each, but the first payment of 10 francs makes the subscriber a member. The balance can be paid by a monthly payment of 1 franc. The union has also opened a deposit Bank receiving deposits from members only, on terms varying from 4 to 6 per cent. according to the length of the deposit. In addition there are some interesting insurance or provident funds managed by the Union.

Reference has already been made to the law of 7th May 1917 which is the new charter of consumers' societies. It contains the following points which are worthy of notice :—

First of all, the objects of consumers' societies are defined as stated above. Secondly, the law prohibits any interest above 6 per cent. being paid on shares. Thirdly, the law prohibits any member or shareholder from having more than one vote. It provides for the establishment of Unions and for the receipt by societies of loans from the State, upto the extent of half the net working capital of the society. The law limits the maximum value of a share to 100 francs.

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In the model bye-laws prepared for consumers' societies in France the following points deserve special notice :—

Article 2.—“ The object of the society is the production and sale of all objects of consumption to members as well as to other consumers.”

Article 5.—“ Every person may become a member of the society on condition of subscribing one share and agreeing to obey the present bye-laws. The society is bound to receive as associates all regular customers provided that they agree to fulfil the conditions imposed by law.”

Article 6.—“ The value of the share which a consumer must subscribe in order to become a member of the society is 100 francs. The taking up of several shares is permitted. When a customer has paid one-tenth of this share he becomes a member of the society with full rights. He must pay the following instalments by monthly payments of at least one franc per month until he has paid a quarter of his share. The balance of his share will be made up by the sums due to him from the profits unless he pays it in advance. The responsibility of the member is limited to the amount of his share.”

Article 10.—“ A general meeting can expel any member who has harmed the interests of the society.”

Article 11.—“ When a member dies, the society continues as between all surviving members, but the heirs of the deceased will not be shareholders in the society.”

Article 12.—“ In the case of resignation, expulsion or death the member has a right to repayment of all sums paid up on the nominal value of the share excepting as prescribed in Article 14, but he has in any case no claim on the reserve funds of the society. The society is allowed a period of five years before repaying any share.”

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Article 14.—"Members and Associates cannot resign when the working capital is reduced below a quarter of the

capital existing at the time of the last general meeting or when it is one-tenth of the initial capital."

Article 16.—"No member has a right to more than one vote in the general meeting whatever the number of his shares may be."

Article 21.—"The society is administered by a managing committee composed of 9 members elected for 3 years by the general meeting of whom one-third is re-elected every year. No one can be elected a member of the managing committee, if he is not a shareholder and if he does not annually buy goods amounting to 300 francs."

Article 24.—"The general meeting will elect a committee of control of 3 members chosen from the shareholders whose duty it is to examine the accounts and the working of the managing committee..... The committee of control may at any moment examine the accounts and books kept by the society. It must be summoned at inventories. It has a right of access to all the departments of the society and the right to effect any verification which it considers expedient."

Article 25.—"Provides for the appointment of such a committee by the President of the Chamber of Commerce if the general meeting has not appointed it."

Article 27.—"Out of the net profits a sum is first set aside sufficient to give the shareholders interest of not more than 6 per cent. on all sums paid by them towards their shares and a second sum sufficient to pay 15 per cent. of the remaining net profits to a fund of development. The balance is divided as follows:—5 per cent. to the legal reserve fund; 80 per cent. is returned to consumers in proportion to the purchases made by each; 10 per cent. to provident fund and 5 per cent. for propaganda. The bonuses corresponding to the sales to non-members are paid into the provident fund."

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Article 16.—"No member has a right to more than one vote in the general meeting whatever the number of his shares may be."

Article 21.—"The society is administered by a managing committee composed of 9 members elected for 3 years by the general meeting of whom one-third is re-elected every year. No one can be elected a member of the managing committee, if he is not a shareholder and if he does not annually buy goods amounting to 300 francs."

Article 24.—"The general meeting will elect a committee of control of 3 members chosen from the shareholders whose duty it is to examine the accounts and the working of the managing committee..... The committee of control may at any moment examine the accounts and books kept by the society. It must be summoned at inventories. It has a right of access to all the departments of the society and the right to effect any verification which it considers expedient."

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The important points to notice are the provisions for the division of profits including especially the more or less charitable purposes mentioned ; secondly, the rule of one man one vote ; thirdly, the arrangements for the gradual payment of shares coupled with membership at an early stage ; and the performance of audit by a special committee of members. The bye-laws are extremely practical as well as being theoretically correct and can be followed with great benefit in framing bye-laws in this country.

A modification which is sometimes made in the bye-laws is the following. Instead of placing all the profits obtained from non-members in the provident fund they are sometimes divided among non-members as bonuses at half the member's rate ; but in that case they are not paid to the non-member in cash but are credited to his account as payments towards shares. In societies which adopt this rule a small entrance fee is usually required which is treated as a first instalment towards his share. Another rule which is usually made is that shareholders are not allowed a bonus on their purchases unless their total purchases in the year amounted to at least 300 francs ; and this appears to be a particularly sound rule. Most bye-laws also provide for each society being a member of the Wholesale Society as well as of the National Federation.

At this stage it may be interesting to consider how the Wholesale society itself divides its profits. Each society, it may be noted, must buy one share of a 100 francs in the Wholesale for each 100 members or fraction of 100. The Wholesale divides its profits as follows :—5 per cent. goes to legal reserve, 50 per cent. to reserves or sinking funds, 20 per cent. to a development fund and 25 per cent. to customer societies at the *pro rata* of their purchases.

In liquidation in France the law allows the balances to be divided among members at the *pro rata* of consumption if the society wishes to frame bye-laws accordingly. But obviously it would in nearly every case be impossible to make such a division equitably. Partly because it is impossible and partly because of higher motives this system has been rejected in practice. Invariably the custom is that any balances remaining after

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banking or refuse to support the co-operative credit movement as a whole.

In regard to co-operative housing societies, perhaps the most important of the problems of the immediate future in this Presidency, I am afraid that few direct lessons can be learnt. Circumstances differ too greatly in different countries for it to be possible to transfer the methods of one land to another. Here the desire to own as one's individual property that costly white elephant, a house, is still so strong that the best system of co-operative housing, that of co-partnership tenancy, is not generally attractive. The disproportionate cost of building in this country is another disturbing factor and may prove fatal to schemes of hire-purchase. The policy at first followed of allowing promoters to grope their own way and draft the bye-laws which appealed most to them was probably the right course to follow at the beginning. But the time has more than come when such intending societies must be placed in touch with the best legal advice through the Registrar and must be provided both with clear knowledge of general principles and correct models of possible bye-laws for various types of society. In this Presidency the need has now been met through the direct intervention and assistance of His Excellency Sir George Lloyd, Governor of Bombay.

The system of French Legislation, so complicated in its quantity but on the whole so simple in its principles, suggests the desirability of a recurring review of our co-operative law in India. Whether or not our existing law is sufficient to meet all the new cases now arising and in particular the case of building societies, is already doubtful. It has been admitted that the rules under the Act are inadequate and some new rules for consumers' societies are already under the consideration of Government. European example would seem to show that a periodical review by an expert legal adviser of Government, acting in consultation with the Registrar, of both the Act and the Rules would be advisable. So many important interests are involved, particularly when societies become owners of building sites and buildings and attach conditions to their tenancy, that no uncertainty should ever be allowed to remain of the exact

liquidation are given to other consumers' societies. In the case of building societies, however, the law actually compels a liquidator to pay the balances remaining after repayment of shares to similar building societies.

Consumers' societies are allowed to constitute unions among themselves or in company with producers' societies for the purchase and manufacture in common of articles of consumption which they sell or of materials which they use as well as for credit operations. They are also allowed to take loans. But in practice very few consumers' societies in France ever borrowed money. There are a few instances in which loans were taken but all authorities are unanimous that the taking of loans is inadvisable. In fact they consider quite correctly that such societies require only comparatively small funds when they start and think they ought to be able to raise sufficient funds from members. Further they oppose the taking of loans on the ground that in such a case the society has to pay interest to capitalists, and thereby contradicts its very first principles. In general therefore it may be said that the only loans taken by French Societies are those received from the State itself which can amount at the most to half the working capital. Again, although the Wholesale is now following the British example by starting factories of its own, there is practically no instance of combination with producers' societies. The opposition has in the past been too great between the two classes of societies for any such combination to be possible. Consumers' societies are in principle opposed to all professional co-operation because the interests of such producers are and must be limited by their professional character.

In India we now stand at the threshold of the movement for consumers' societies. The difficulties which face the movement are very great indeed and the danger of making initial mistakes with permanent injury to the movement is even greater. The lessons which may be learnt from French example are therefore of peculiar value in this connection. They are even of greater value than anything which can be learnt from the far more developed consumers' movement in Great Britain, because the movement in France was recently initiated and is rapidly growing, whereas the British movement was started 80 years ago and has grown

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slowly unaided over that long period of years. In India we cannot afford to lose the time required for such a slow and self-developing movement, and we certainly cannot reject State aid. We are already giving State aid in the shape of a special paid Government staff and we must not reject State loans summarily, on principle, merely because they have for certain reasons of an important character been rejected for Resource Societies.

The more immediate and simple lessons to be learnt from France by consumers' societies started in India are—

1. That the membership should be as large as possible.
2. That the taking up of shares should be made as easy as possible and inducements held out to every customer to become a shareholder.
3. That sales should be made to the public at large.
4. That interest to shareholders should be limited within a low limit.
5. That excess profits should be devoted both to social work and to the payment of bonus to members and with certain qualification to other customers.
6. The loans from Banks or private persons should not be taken.

Even more important is it to notice that the growth of consumers' societies must begin in industrial centres and can only gradually be extended to rural areas. But most important of all is it to note the objects and advantages which can correctly be ascribed to such societies, to emphasize their moral benefits and their underlying principles, and to abstain from any temptations which may not be fulfilled. Societies of this kind cannot succeed without moral effort, and without solidarity, and to substitute for such instruction and principles fallacious hopes of immediate pecuniary benefit is only to create disappointment and ensure the failure for a long time to come of a movement which has in it the seed of an enormous social progress.

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In the social conditions produced by modern industry and in view of the requirements of modern sanitary science, no

branch of co-operation for consumption is of greater practical importance than the movement for co-operative Building Societies. The importance of this movement has been fully grasped in France as in other countries and in 1914 before the outbreak of the war the number of building societies stood at 258. Of these, 190 had submitted to the Minister of Labour their accounts for 1912. From these accounts it appears that these 190 Societies had a total working capital of 38 million francs and owned lands and buildings valued at 33 millions.

I greatly regret that owing to the very short time placed at my disposal by Government for these preliminary studies, I was unable to see the actual results of any Society or to make any special study of their system. It was with the greatest regret that I found myself obliged practically to neglect this side of French co-operation. I particularly regret that I was unable to visit the well known Familistère founded by Mr. Godin, an institution remarkable for combining within its boundaries every conceivable branch of co-operative work. I can only hope that in future I may be permitted to visit this interesting and remarkable institution and to study its working in combination with the more detailed study of European co-operation.

I did however have some talk with the Secretary of a building society called "La Sécurité" whose work is conducted in Paris. The object of this Society is in particular to help workmen to obtain healthy and good houses. It was, therefore, at its start, faced with difficulties caused not only by the high value of the land in a city like Paris, but also by the fact that the vicissitudes of industrial life compel workmen to a frequent change of abode. For a workman the individual ownership of a house is more often a fetter than the means of freedom. At the same time no class suffers more heavily from high rents than the workers in great cities nor has to pay so overwhelming a tribute to capitalist power. Far from benefiting by the increment derived by property from the work of the community the workman on the contrary is further laden through the results of his own activity by additional rent charges imposed

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by property owners. The main object of the Society has therefore been to secure for its members by means of annual payments, which should not be greater than the usual rental of lodgings in Paris, the free use of their houses at the end of 25 years subject to the payment of a proportionate share in the Society's general expenses.

In order to achieve such a result the Society has to look, in addition to ordinary repair charges, not only to the interest on the capital invested, but also to its gradual repayment for the benefit of the lessee within a period of 25 years in such a way that after that period the rental shall no longer be burdened with any charge on capital but only with the general expenses of maintenance. The first payments to be made by members are very low. One may become a member by subscribing for only one share of a hundred francs and the initial payment is only of one-tenth. But in order to obtain a house a member must have paid one-tenth of the capital value of the house in question. The annual sum to be paid by a member who has leased a lodging is calculated as follows : 4 per cent. represents interest on capital. Allowing for the repayment of the capital within 25 years this makes an annual instalment of 6.401 per cent., a figure which approximates fairly correctly to the usual rental figures in Paris. In addition to this, 2 per cent. is taken towards the general expenses. The total to be paid is therefore 8.401 per cent. per year. In other words, the annual payment would on these principles be 850 francs for a building valued at 10,000 francs. As, however, the lessee can obtain his house only if he has already paid one-tenth of this capital value, the interest and instalments of repayment on 1,000 francs have to be deducted from the annual figure of 850. In other words, the actual rental would be 765. By making these payments for 25 years the member would at the end of that period have to pay nothing more than the general expenses, which on this basis would amount to about 200 francs. Therefore at the end of 25 years the member would possess a share in the Society valued at about 10,000 francs, while during the whole of that period he would be guaranteed against any rise of rents. Moreover if during the 25 years or afterwards the member were to withdraw

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In order to secure the Society against any possible speculation or any selfish exploitation, it has taken care to see that no member can possess shares beyond the actual value of his house, and that no member can obtain repayment of more than he has paid in. All profits obtained by the Society go to a reserve fund which can be used for the further development of the Society. The following extracts from the bye-laws may be of interest.....

Article 4.—"No member may sublet his house; he can only transfer it according to rule along with his shares and the payments made towards capital repayment as laid down in the bye-laws..... The objects of the Society are to acquire land either by negotiation or by auction for the building of healthy houses and the leasing with an option of purchase of all land whether free of building or with buildings; the acquisition, construction, sale or leasing of healthy houses, the improvement of existing buildings; the leasing of such houses and generally all dealings in house property especially the sale or leasing of gardens dependent on houses and where it is thought necessary the creation of garden cities. For this purpose it can acquire, construct, alienate and lease or hire lands or buildings. The Society can for the same purpose lend money for the construction or sale of property intended for healthy buildings, but this only as an exception....."

Article 8.—"The responsibility of each member is limited to the value of his shares."

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To reserve 40 per cent. of which 5 per cent. will constitute the legal reserve and 35 per cent. will constitute a fund for the development of the Society. Up to 10 per cent. of the profits is to be paid as interest on capital but if this exceeds 4 per cent. on the shares the excess will be paid into the reserve fund. Twenty-five per cent. will be given as bonus to all the workmen and employés on condition that the bonus is not to exceed 25 per cent. of the salaries ; if it exceeds it the difference will be paid to charitable funds. Five per cent. will remain at the disposal of the Managing Committee for such charitable purposes as desired."

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The same Society has also started a Credit Society which is of course legally separate, but whose operations are confined to loans to the members of the Building Society. In other words, they have avoided the great error which was sometimes found in the new Building Societies which were started in this Presidency of including credit operations in the operations of the Building Society. They have quite rightly constituted two societies for these two separate performances. The loans are however given only for purposes connected with the Building Society.

In France loans and subventions from the State are given to Building Societies only if their bye-laws (which are approved by the Ministry of Labour) limit their annual dividend to a maximum figure which must not exceed four per cent. Further after deducting five per cent. for legal reserve and paying the dividend, the balance is to go to a special reserve intended to meet unfavourable accidents and to help the further development of the Society.

It remains to add only that the law in regard to Co-operative Building Societies is the least satisfactory and most complicated of those which deal with co-operation in France. In the first place it can hardly be considered a sound administrative arrangement that Co-operative Housing Societies, which were formerly under the Ministry of Labour, should now have been transferred to the Ministry of Hygiene. That Ministry's first

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preoccupation is with the removal of congestion and the improvement of sanitation. It has no special concern with co-operative principle as such. And under the law that it administers joint stock companies which provide cheap model buildings have as much claim to State aid as co-operative societies. There must therefore be an inevitable tendency to underrate the value of co-operative practice and to encourage private companies at their expense. Actually at the end of 1920 out of 474 societies for cheap housing approved and registered by the Ministry only 281 were co-operative societies. The other 193 were on a joint stock basis. Then again, no attempt has been made to distinguish one type of co-operative housing society from another in regard to the amount of encouragement or assistance to be given. The only really correct type in principle is that adopted by 'La Sécurité' and just described, the type which has been adopted in England a little less perfectly at Golders' Green and at Ealing, and which in India is known as a co-partnership tenancy society. This type conforms to the essential idea of consumers' societies. Yet 'La Securite' has not registered with the Ministry or obtained any assistance from it and I believe no other society of this type has registered. Most, if not all, of the 281 societies registered with the Ministry and obtaining grants are of the old-fashioned individualist type known incorrectly as "building societies" in England. They fall under two main sub-classes. Some lend money to their members in order to build houses. Others—in France more common—erect the houses themselves and either sell or lease them to their members. The former sub-class is really a special type of resource or credit society, and lacks the higher moral spirit that inspires the co-partnership tenancy society. The latter is a less developed and less moralized type of consumers' society. There is no reason why both should not obtain loans from the State in order to relieve congestion. But it ought to be obvious that the first type—the true co-operative society—should obtain the greater encouragement. The French law and the executive orders under the law have overlooked the point.

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What I also found wanting was a serious appreciation of the difficulties involved in possible sub-letting, encumbrances, or alienation. It is clear that unless such alienation is prohibited by law and by the bye-laws of societies, all the concessions given at the ultimate cost of the tax-payer may prove futile, and the houses originally obtained by members from the labouring class may speedily pass into the hands of capitalists by sale or mortgage, with in the end no material improvement upon the situation existing before the commencement of the society. Even more defective in the law, was the neglect to consider seriously the situation that will arise in case of the liquidation of a co-operative housing society and to make provision for the situation. It is indeed provided that any surplus money obtained on liquidation should be handed over to similar housing societies. But I cannot anywhere find that the situation in regard to the houses themselves and their occupants has been envisaged. Are the ownership rights to be sold over the head of the occupants to private landlords with full liberty to rack-rent or terminate tenancies? Or are the occupants themselves to be given as a reward for the mismanagement of their society the power to profiteer in the property they thus acquire by liquidation? The problem is one of the most difficult of those that confront the co-operative movement and co-operative law. It seems hardly so far to have been considered.

In this Presidency we have borrowed largely in our model bye-laws from the practice of "La Sécurité" as also from the regulations of Copartnership Tenancy Societies in England. We acknowledge our debt to this admirable French Society with gratitude. We should like to think that in exchange the French Ministry of Hygiene may find some useful suggestions in the manner with which the particular problems just mentioned have been treated in the law and bye-laws of Bombay.

The State in France under the law of February 1921 gives loans to such societies up to 60 per cent. of the total cost of the site and buildings, and up to 75 per cent. if the Municipality or Local Board guarantees the repayment. The loans are secured by a first mortgage, except when the Municipality or Local Board stands surety. The maximum period of repayment

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is 40 years. Up to the 31st December 1920 the total so lent to co-operative housing societies amounted to roughly 20 million francs, the greatest part being lent either at 3 per cent. or at $3\frac{1}{4}$ per cent. In addition such societies are exempted from various taxes, totalling about 200,000 francs per year. Co-operative Housing at any rate furnishes an instance where such assistance by way of low rates of interest at the cost of the general tax-payer appears to be thoroughly justifiable, and one could wish that the social conscience in India were sufficiently developed to insist upon extra taxation upon the richer classes to allow such a concession to our infant Housing Societies. But the law must be firm in securing that the advantages following on such concessions cannot be alienated, or lost to co-operators even in the case of liquidation.

PRODUCERS' SOCIETIES

In turning to Producers' Societies, a branch of co-operation is reached which originated in France and which for its success has depended largely on the natural genius of the nation, so much so that it has hardly even been imitated in any other country. Yet it is a type of co-operation which, given the national qualities necessary for its success, is probably of all others the most useful and the least capable of harming the essential or political existence of the country. It lies half way between Resource Societies and Consumers' Societies. It represents a stage of moral and social development considerably higher than the merely individualist conception which underlies Resource Societies. Its utility is practical and immediate and its benefits are most felt by the class which in modern Society requires them most, the industrial workman with his new struggle to escape from intolerable conditions. It is of national benefit because it stimulates and increases production and it is of political advantage as it satisfies and consoles a class of men whom the evils of capitalism are otherwise apt to drive to revolt. It has a moralizing and purifying effect because it gives the operative real proprietary interest and almost an artist's keenness in the results of his labour. At the same time it preserves that moderation and stability of spirit which is too often lacking in societies for consumption. The latter are

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interpretation of deeds and documents in the mouth of the judicial courts.

To my mind the most valuable moral to be drawn from the experience of France and Italy is concerned with the vexed question of State aid to co-operative societies. In regard to credit societies it has often been held that no State aid should be given and no State control be exercised. The same reasoning has also been extended to other resource societies. In theory this view has on the whole been accepted in India but it could not be maintained in practice. In certain exceptional circumstances even direct loans have been granted by the State to resource societies and in one case at least free of interest. *Tagavi* has also been granted through or to societies. But apart from loans, State aid has been granted in many directions, especially in the appointment of a large and expensive establishment. The theory of State non-intervention has, however, prevailed in one particular where it has been of great administrative inconvenience. Almost the whole staff of the co-operative department is still officially classed as temporary. The consequences of adhering to the theory in this particular have done much harm in recruitment, appointment, and promotion of the staff and in complicating its administration. Foreign experience (and that of Italy is particularly illuminating) shows that the theory cannot be accepted without qualifications so numerous and so important as to change its complexion. It may be accepted at once that in regard to short term loans resource societies should as a rule finance themselves and that only in this way will they learn self-help. It should also no doubt be recognized that the organization of societies should devolve to the utmost extent possible upon non-official bodies. It should also be accepted that control by the State should be as easy, as human, and as sympathetic as is compatible with safety. But it is impossible to go much further than this. The problem of giving the long term loans required for real land-improvement without State aid has so far baffled students in all countries. Building societies again deserve and require loans from the State, as has happily been recognized by the Government of Bombay. Producers' societies, when they start, will also

informed and guided by extreme doctrines of collectivism. Their ultimate aim must be the expropriation of private ownership and private property. The goal which they seek must be that of the collectivist state with all its monotony and its dangerous reaction against all human tradition. In the intermediate stages the Consumers' Society may only too often prove not to stimulate but to deaden enterprise and individual effort. In the Producers' Society each member works unselfishly for the good of all but he works as an individual human being with the prospect of himself receiving the reward of his efforts. I certainly saw with my own eyes when I met the workmen who were members of such a Producers' Society, a politeness and spirit of courtesy and a willing intelligence which at once distinguished them among others of their class. The leaders of the movement are amongst the most active and useful citizens of what is after all the most intelligent and the most patriotic country in Europe; and the private soldiers of the movement seemed to me to be worthy of their leaders.

Productive Societies were first started in Paris in 1831 and after a short failure were again started in 1834 by Buchez. Between 1848 and 1850 three hundred such associations were formed but the Third Empire was almost fatal to their life. The movement was however, again greatly stimulated by Mr. Godin, the founder of the Familistère, who bequeathed his house to his staff in 1880. After 1882 the movement suddenly made a great extension under the encouragement of Mr. Floquet, Préfet of the Seine. Since 1893 the Ministry of Labour has taken budget credits for assisting such Societies with loans and subventions. Until 1918 the highest budget credit had only been 375,000 francs but in 1919 it was raised to 1,190,000 francs. The Societies have a *fonds-de-dotation* of two millions in the Bank of France. In addition certain Municipalities have given assistance to Producers' Societies. The most munificent was a loan from the Municipality of Lyons of a million francs distributed to local Producers' Societies. From these figures are of course excluded all Agricultural Societies like those for producing milk and butter, and even co-operative distilleries. There were in 1913, 476 Societies which had 20,000 members

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and 10,000 auxiliary employés. The value in money of their produce was more than 71 million francs. 1913 was the last year for which official statistics were available when I was in France. I was however unofficially informed by the highest authority that in August 1919 it had been ascertained that there were in existence more than 700 Societies with 40,000 members and 15,000 auxiliary employés and that their turnover in the previous year had amounted to more than one hundred millions. When it is considered that the war, which had materially stimulated Consumers' Societies, could not but damage Producers' Societies, especially at the beginning of hostilities, the increase in numbers and membership is a striking testimonial to the value and success of the movement. The increase in production unfortunately still shows the damaging effects of the war; for the apparent increase in money values must of course be discounted by the enormous rise in prices.

The external control of Producers' Societies (like that of Consumers' Societies) is in the hands of the Minister of Labour assisted by an advisory committee. The Advisory Committee at the Ministry is composed of two sections. Its members are partly nominated and partly elected by Societies. One section deals with consumers' and the other with Producers' Societies. The two classes of Societies have in the past been anything but friendly; but since the institution of this advisory committee there is a distinct tendency towards greater harmony. Each section deals separately with the interests of its own branch of co-operation and advises the Minister in regard to loans and subventions to be given in that class; but the sections also meet whenever there is any question which touches both classes of co-operation.

The internal control of the movement centres in a Federation of Producers' Societies headed by a consultative chamber. This chamber gives advice to all Producers' Societies on all matters which concern them and for that purpose maintains a legal committee, an insurance department and an account department. The consultative chamber itself is administered by a Council of 36 members, half of whom must be elected from Provincial Societies. The Council elects its own President and

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officers. The consultative chamber has very wisely succeeded in creating two institutions, one a Co-operative Bank for Producers' Societies and the other an orphanage. The orphanage has since 1899 spent two lacs of francs and really provides provident funds for the members and employés of Producers' Societies. The Societies have to subscribe one franc per head for each member per year.

The Bank was created in 1893 with a humble capital of 10,000 francs. Members of the Bank are either societies or individual members of the Societies. The maximum dividend payable per share is five per cent. and the balance of profit is distributed so that seventy per cent. goes to reserve fund, twenty per cent. to a provident fund and ten per cent. to the staff of the Bank. On the 31st of December 1919 the capital of the Bank amounted to 458,000 francs ; but in addition it had nearly $2\frac{3}{4}$ million francs in deposit and its discount business amounted to 32 million francs. It had also loans outstanding on that date of nearly 2 million francs. The main purpose of the Bank is to lend money on works executed or being executed by Societies whether for Public Departments or on private order. It never lends more than the value of the materials actually ready for sale at the moment when the loan is given. The system works as follows in relation to the individual Producers' Society. The Society when it is formed obtains a small subvention from the State and then obtains a loan from the State which may be equal to half its working capital. When it has once started work and has materials ready for sale, it can then obtain a loan from the Bank in order to finance the sales and to be able to carry on work until it realises the value of the materials sold.

The main difficulty of all Producers' Societies is their start. A Society of this kind must have capital in order to succeed in doing any real work at all, and mere workmen when they first combine are not likely to have much capital at their disposal. It is on this account that the French Government has very rightly felt that if such Societies are of use at all, they must at their very start be helped by the State. Fortunately the State has considered that such Societies are of the greatest benefit. It is on this account that subventions and loans are readily

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Further privileges are also given to such Societies. It is for instance a rule in the public services in France that all contracts must be given on tender. In the case of Producers' Societies however exemption is granted from this rule. Works up to 20,000 francs can be given to such Societies by Government officers without tender by private negotiation. In all cases where tenders are demanded a Producers' Society gets preference if its tender is equal to that received from a private firm. Again they are paid for all work done by them every fifteen days and not merely after the complete performance of the contract.

The most noticeable of the model bye-laws adopted by such Societies are the following.

One vote per member is insisted on. It is not permitted to pass any bye-law obliging candidates for the Managing Committee to own more than 500 francs of share capital.

It is also laid down by law that the bonus given to members must not be less than 25 per cent. of the total profits ; that the amount spent on bonus must at least be equal to the amount paid as dividend on the share capital ; that auxiliary employes must also get their share in the bonus ; and that the bonus is to be divided at a *pro rata* either of the salary received or of the hours of work performed.

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such Societies existent in 1913. Of those 40 were of workers in carpentry and wood-work and 146 were concerned with public works. The leather workers of the country had 22 Societies and the metal workers 33. There were 81 co-operative printing presses and there were 55 Producers' Societies of textile workers. It is easy to see what a vast impetus to the development of Indian industry would be given if such a movement of co-operative production can be created in this country.

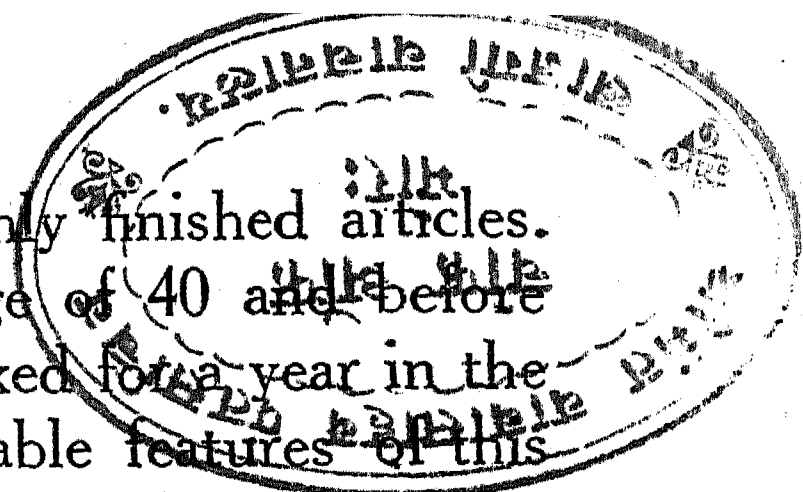
The following instances, chosen of course amongst the more successful Societies of their kind, display clearly how energy and honest sincerity can succeed. In 1905 the lead and copper-smiths of Limoges founded a Society with a capital of 2,100 francs. In 1919 this Society possessed a capital of 73,000 francs together with a provident fund of 28,000 francs. In those fourteen years it had executed three million francs worth of work and it divided as bonus among its members 173,000 francs. The locksmiths of Paris had constituted a Society considerably earlier. They began work in 1887. In 1894 their capital amounted to 13,000 francs, while it now amounts to 60,000 francs. Last year alone the Society executed works valued at 900,000 francs and in addition to salaries of 172,000 francs it divided a bonus of 37,000 francs among its members. At Poitiers a Society called *Le Progrès* began in 1890 with 4,000 francs. Its capital now amounts to 331,800 francs. Last year its turnover was a million and three hundred thousand francs and it paid 273,000 francs in salaries. The Society maintains a school of apprentices.

Perhaps the best of the Producers' Societies in the whole of France is that constituted in Paris for the manufacture of instruments of precision. I was privileged to visit this interesting factory in the company of Mr. Briat, editor of the Producers' Journal, and of Mr. Viardot who is the President of the Society and is also one of the officials of the Federation. This Society is employed by the Admiralty and the War Office, by the Postal Department, by the Municipality of Paris and by the railway companies and State railways. It has a school of apprentices where the apprentices are taught most carefully and boys of

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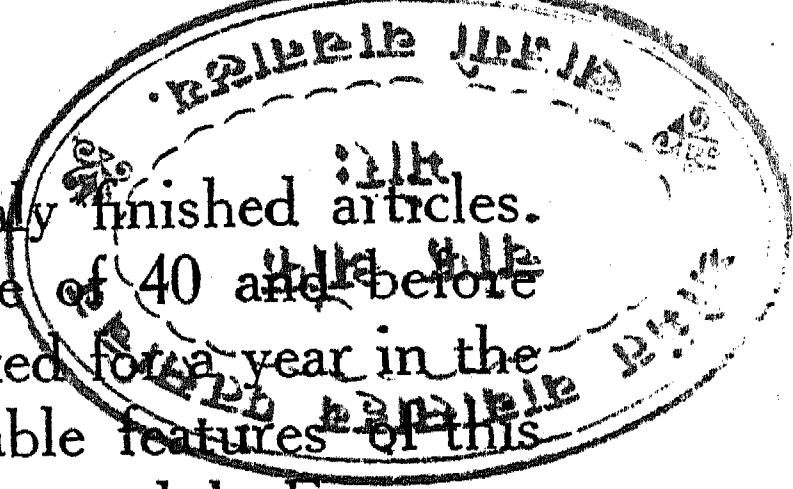
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Perhaps the best of the Producers' Societies in the whole of France is that constituted in Paris for the manufacture of instruments of precision. I was privileged to visit this interesting factory in the company of Mr. Briat, editor of the Producers' Journal, and of Mr. Viardot who is the President of the Society and is also one of the officials of the Federation. This Society is employed by the Admiralty and the War Office, by the Postal Department, by the Municipality of Paris and by the railway companies and State railways. It has a school of apprentices where the apprentices are taught most carefully and boys of



16 or 17 succeed in turning out thoroughly finished articles. No new member is admitted after the age of 40 and before anyone can be accepted he must have worked for a year in the Society's workshops. One of the remarkable features of this society is that with the exception of the Director and the Engineer, all working members receive equal pay whether they are assistant engineers, foremen, or simple workmen. The Director and his Assistant are elected and I understand that foremen are also chosen by workmen, but the discipline maintained is excellent and I believe that quarrels are almost unknown. In this Society the division of profits is as follows: Five per cent. go to the legal reserve fund, 15 per cent. to the provident fund and 32 per cent. to a special fund entertained for employés and members of the Society. Fifteen per cent. goes to pay the interest on the share capital; 30 per cent. is divided among the workmen whether they are members or not; 1 per cent. is paid to the consultative chamber of Producers' Societies and 2 per cent. to the orphanage. In the year 1918 the Society executed work valued at over 5,000,000 francs, on which they made a profit of 617,000 francs. Their share capital amounted to 425,500 francs and their ordinary reserve to 257,000 francs. Their provident fund was 95,000 francs and their pension fund 370,000 francs. They owned land valued at 581,000 francs. The Society is in every way most successful and has been of immeasurable value to the country during the period of the war.

These examples of Producers' Societies will, I hope, show of what value the movement can be when it starts on suitable ground. For their success however such Societies undoubtedly require intelligence, loyalty, and self-respect among their members. The fact that Producers' Societies in England have so constantly failed and that at the present moment only 86 such Societies still exist shows that differences of national condition and of education react more powerfully on this branch of co-operation than on any other. Resource Societies are easy to start and can succeed even among ignorant peoples. Consumers' Societies require more intelligence and more effort but even they do not call for the same degree of self-respect and disciplined combination as is required by Producers' Societies. Humiliating



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as it may be from the national point of view, the fact undoubtedly is that Producers' Societies have succeeded so well in France while they have been of comparatively little value in England simply because the French workman is more intelligent and stands on a considerably higher level of civilization than his compeers in England. The industrial working classes in France have never undergone sufferings or brutalization such as those deliberately inflicted on the operatives in England from the 18th century until the middle of the 19th century, by the careless selfishness of the Liberal and commercial middle classes ; nor were they exposed to the demoralizing influences of extreme religious sects.

Whether or not Producers' Societies can be made a success in this Presidency remains to be seen ; but it can hardly be contested that the effort must be made. The unfortunate survival of illiteracy among such large number of the working classes is undoubtedly discouraging and in regard to this as to every other branch of co-operation it cannot be too often insisted that the compulsory primary education of both sexes is the first and most essential condition of success. At the same time there are distinct elements of hope. Producers' Societies have for instance been quite successful on their own lines in the most backward of all the countries which are generally called European, I mean Russia. They seem to have been aided there by the survival of certain historic communal ideas. In India also it may be hoped that the modified communism which maintains itself through the existence of professional castes and the general discipline and solidarity maintained amongst local groups may prove of great assistance to the producers' movement.

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CO-OPERATION IN ITALY

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INTRODUCTORY

The time at my disposal during my period of deputation was unfortunately so short, that I was forced to confine my journey in Italy to a very limited part of the North, and that I should in any case have been unable to make any adequate study of the co-operative movement in that country. I was able to visit only the towns of Milan, Bologna and Florence. But in addition to the shortness of time, I found myself confronted with many difficulties, partly due to my own distinctly insufficient knowledge of the language, but to a much larger extent due to the peculiar conditions of the country. To make any real study of agricultural co-operation, for instance, in Italy, it would be necessary first to have some detailed knowledge of the extremely complicated character of land tenures in that country, and of the varied nature of cultivation from the irrigated plains of Lombardy down to the mountains and waste tracts of Apulia and Calabria. To such a knowledge I had not the faintest pretension, and I was unable to discover any means of acquiring even a journalistic survey of the subject. Then in Italy co-operation has in the past been so largely created by the unco-ordinated efforts of individuals that it is, anything rather than homogenous, and presents a bewildering variety of feature and method. For a foreign inquirer this variety and want of simplification presents difficulties, which can be overcome only by prolonged stay and study in the country ; for such I was given no leisure. Again it is to be recollected that even to this day Italy is hardly a united country in the sense in which the adjective can be applied to France or England. Provincial rivalries and even hostilities, differences of language, and divergent economic and social conditions combine to maintain distinctions of Province and Province so great that the co-operative movement can rather be divided by Provinces than considered for the country as a whole. But the differences are not merely local. Even in the same locality the movement is torn into opposite sections by religious or political differences. Nothing for instance can be wider apart than the ideals of the Catholic peasantry and those of the socialist workmen who celebrate the anniversary of Giordano Bruno's murder. I will not descant on the further difficulties

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caused by certain national characteristics except to say that one is met by frequent assertions of ignorance—where ignorance there can hardly be ; and that statements of fact usually require documentary verification. I hope therefore that it will be understood that I am far from pretending to accuracy in any of the statements that I propose to make, and that I myself regard this portion of my pamphlet rather as tentative than as formal and definitive. I cannot hope to give a portrait ; at the best I can only hope to render an impression.

I would like to express my thanks for assistance in particular to Signor Contini, an advocate and a well-known leader of co-operation in Milan, to Signor Manfredi, Secretary of the National League, to the Director of the People's Bank in Bologna, the Director of the Consorzio Agricola in Bologna and the managing committee of the co-operative union in Florence.

Broadly speaking, the main point to notice about Italian co-operation is, or perhaps I should say was, that it acts and moves without Government assistance and without Government control. Partly this has been due to the keenly individualistic character of the people ; partly to the fact that nearly all Italians regard the officials of the country as their enemies. But whatever the causes, the fact is that Italian co-operation grew up independently of Government action. Even the Préfet of a district, unlike France, has absolutely nothing to do with co-operation. Since 1913, however, there has been a change in this attitude and the Italian Government has taken a certain part in aiding and even in controlling one section of the co-operative movement. To this fact, however, I shall recur.

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THE LUZZATI BANKS

Of the typical forms of Italian co-operation the most interesting and those most generally quoted are the Luzzati banks and the associations of labourers called Bracchianti.

The Luzzati banks have already in the past attracted a vast amount of interest in England. Mr. Wolff in his book called *People's Banks* has, for instance, devoted a long chapter and much sympathy to their study. Banking in all branches had for many centuries been so peculiarly the distinctive line of business in Italy that Mr. Luzzati's scheme had every chance of succeeding rapidly. Of the success of his banks in most directions there can be no doubt. Many of them have become extremely flourishing institutions and they have attracted an enormous amount of custom. The banking habit was after all congenial to the people, and they were ready to welcome a type of bank which should finance the poorer classes and treat the small depositor with as much consideration as the large.

But in spite of the apparent success of the movement there are distinct limitations to be observed. From the point of view of a foreigner anxious to obtain suggestions for application in another country, not the least of these limitations is that this type of bank has so far failed to acclimatize itself healthily outside Italy. If even in the south of France, a region which to the superficial observer presents so many points of similarity, banks of this type have not been able to resist the pressure of an emergency, and have in normal times shown signs of speedy degeneracy, there does not seem much chance of their unconditional success elsewhere. Moreover in Italy itself, and even in Lombardy, the home of popular banking, the qualifications which have to be made are considerable.

The main points of criticism may be grouped under moral or social defects. They start perhaps at the very beginning by the fact that unlimited liability was never accepted. "The Italian people," it was said, "would never join an association which threatened them with such grave danger". Instead of making an attempt to overcome this financial selfishness and individualism, no doubt at the expense of great loss of time, it was decided at

certainly require State loans and public money can hardly be used to better utility. And to think of abolishing or lessening the number of officials in the co-operative department to me at least appears to be illusory. On the contrary it appears to me certain that, however, the number of non-official workers and organizations may increase, the actual necessary official duties of the Registrar's Branch will always demand a superior establishment not less than that which now exists but indeed greater. France has always accepted the principle and Italy has been forced, very unwillingly and too late, to recognize it.

Finally, I would venture to add one word more. Both in France and in Italy the success or failure of co-operation has depended upon education. The success of producers' societies in France in particular is a testimony to the value of educated intelligence. The criticisms which can be brought against French agricultural credit co-operation depend, in the last resort, on the fact that the French peasant had already been educated beyond the stage when he required this moral compulsion to thrift. In Italy co-operation has enlarged as the literacy of the population has increased. Thirty years ago an ignorant peasantry would in vain have tried to go in for collective farming. The defects that remain in Italian co-operation are largely due to the fact that growing literacy has not yet expanded into anything like general real education. Now in India also the co-operative movement is at every turn hampered and its expansion prevented by illiteracy and insufficient education. At its easiest and humblest stage, rural credit, the difficulty of finding a literate and at the same time dependable Secretary is often insurmountable, and credit societies can only too seldom be brought to the classes that need them most on account of their illiteracy. At other stages, consumers' societies for instance, the general inadequacy of education is a constant stumbling block. I venture therefore to emphasize that the experiences both of France and Italy show that, if co-operation is to succeed, it must work in a population that has first been rendered literate at least, if not educated.

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once to meet the real need for more popular credit by the institution of banks with limited liability. It is undeniable that the result has been a considerable material gain ; but it is difficult to estimate the loss in spiritual value. It is certain at least that the progress of the banks was obtained by the sacrifice from the beginning of much of the co-operative spirit.

Another qualification is that each Luzzati bank stands in far too great an isolation. Each bank works for its own hand. Their spheres of operation and the areas in which they deal are not directly delimited. They are not grouped in unions, with a few exceptions of so loose a formation that their value is negligible. They form part of no organization and do not serve as regular channels for feeding any definite fields of co-operation. Each works as it thinks best ; each finds its customers where it may. The bank's first object is its own profit and that of its members. It is only indirectly concerned with production. It tends as a rule to leave agricultural co-operation untouched and neglected. Even Mr. Wolff, strong advocate of individualism as he is, and even Mr. Luzzati himself, have to regret "the lamentable looseness and want of uniformity among the Italian People's Banks."

An obvious corollary to what I have said is that no means exists for supplying long term credit. Banks of this nature, which look to their own profit, can only deal in short term credit. The State, however, makes or rather made until lately no provision in Italy for State aid. Agriculture in consequence remains seriously handicapped, as neither the State nor the bank supplies it with the long term credit that it needs.

Another qualification of a very serious practical kind is that as a whole these Luzzati banks are organs of the middle classes. For a variety of technical reasons, they do not desire or attract the labouring classes among their members. They therefore have left out of what in Italy is practically the only means of co-operative credit, the very class which needs it most.

But it is perhaps on higher ground that the strongest of all reproaches can be hurled at the Luzzati banks. They have not themselves been willing to limit the dividends payable to

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shareholders and in Italy there is no outside authority who can compel them to such a limitation. The result has undoubtedly been to increase the spirit of profit seeking and to strengthen individualism rather than to substitute for it the spirit of communal advantage. Even a publicist so much governed by the individualistic theories of a past generation, and so wedded to ideals of individual self-help and thrift as that great leader of co-operation, Mr. Wolff, has to admit in his book on People's Banks the truth of this accusation. Interest of 10 to 20 per cent. has on many occasions been earned; 7, 8 or 9 per cent. is common. Even shares can be sold in the market at a premium, while bonuses are not returned to customers. These are features as demoralizing as they well can be. You may reply, if you like, that they are due to national characteristics, to the intense individualism of the Italian and his desire for banking profit. But the more individualist a people is, the more demoralizing surely it must be for it to find its pet vice enshrined in the constitution of a society which labels itself popular and co-operative.

These defects, which were visible enough before, have been enlarged by the results of the war. The Popular Bank of Milan is the greatest of all the Luzzati banks in Italy and has usually been accepted as their model. In the year 1918 it had a membership of 26,825, holding shares of the value of 10,352,650 lire and a reserve of about half the share capital. The net profit amounted to 2,425,000 lire. The actual dividend paid was 6.20 and in the whole course of its existence the bank has never paid a dividend of more than 8 per cent. It may, however, be noted that the interest is being kept so low this year owing to the prescriptions of a temporary law and also to provide for taxation. 200,000 lire were given for co-operative and charitable purposes. But even here in Milan in the Popular Bank the amounts lent to members in the whole year were only 1,843,000 lire and of this only 371 loans were for less than 200 lire each. Between 500 and 5,000 lire there were 420 loans. This hardly looks as if the bank were giving popular credit. The impression is strengthened when one notices the enormous amount of discount business done. Where the bank is really beneficial is in providing a savings bank, the deposits in which

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The tendency has undoubtedly been the same in all the Luzzati banks. Less and less loans are given to agricultural societies and the small artisan or small trader is also rather liable to be excluded. On the other hand, the banks flourish financially, and are still of undoubted benefit in providing safe media for deposits and also in financing Public Works and a rather higher class of trade and industry. I had a lengthy discussion on the subject with the Director of a People's Bank at Bologna, a gentleman of great intelligence and of a frankness unusual in Italy. He admitted that the Luzzati banks had lost many of their co-operative features. Practically they hardly lend at all to primary agricultural societies. They do, however, finance co-operative urban societies of a productive nature to a considerable extent, and with some banks such amounts are equal to nearly half their loans. They are now not often asked for credit by or give it to small industries. To an enormous extent they depend for their profits upon discounting. In fact they work in the main as commercial banks on practically the same principles. The main differences that remain between them and ordinary joint stock banks are that their managing committees are elected by members ; that their dividends, though they are not limited by rule or law, are not in general too high ; and that of the profits which remain, some part goes to reserve and some to works of beneficence. The excuse made for the position is that the economic development of the country has forced these changes on the banks. It is said that the small industrial owner or artisan has been definitely crowded out by competition and cannot be revived. His place has been taken by trusts or big companies. It is also

amount to 5,000,000 lire. But the money so obtained is used not in productive loans to members but in ordinary banking investments. The result is very different from the objects stated in the prospectus. There it is said that the bank has as its object to procure credit to its members by means of common mutual help and savings, and intends to use its profits specially to benefit the labouring classes, small artisans and small business men. But in fact the labouring classes and small artisans cannot find the financing that they need in this flourishing bank.

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alleged that peasants, at least those of them who are owners of the soil, are since the war so well off that they do not require credit any longer ; what they want is a bank in which to deposit their savings. It is also said that the existence of commercial banks in all parts of the country as well as of savings banks which are run on commercial lines makes it imperative for the Luzzati banks to compete with them on their own lines if they are to continue to exist. I am not myself in a position to test the accuracy of these statements. I can only restate them as assertions made to me by a gentleman who undoubtedly knew the subject thoroughly. I cannot, however, in any case agree that the competition of commercial banks can serve as an excuse for banks intended to be co-operative. What is clear to me is that whatever the cause, Luzzati banks can now be hardly described as really co-operative. Their chief educative value is that they do bring home to a popular urban clientele the benefits of thrift and banking. They in no way correspond to our district or provincial banks in their main function of financing co-operative credit. What they do correspond to is our urban societies. And it is the urban societies, and the Registrar as far as he is concerned with such societies, who can derive benefit from the lessons of the Luzzati banks. It was unfortunately the case that many of the urban societies were going the same way as the Luzzati banks and were rapidly losing their co-operative character, while on the other hand they had not yet achieved the financial success of those banks. The main defects in the constitution of urban societies in India are first that shareholders are allowed by the present law to obtain dividends up to $12\frac{1}{2}$ per cent. and secondly that bonuses to customers are not prescribed. The situation had been foreseen by the committee on co-operation with both its advantages and its disadvantages. The study of the Italian model with its co-operative failure and its financial success has made it easier, however, to guide our urban societies into ways more truly co-operative, while assisting them at the same time to be more successful, by prescribing necessary changes in and additions to their bye-laws and their methods of working. In the last three years, though the law is not yet amended, the majority of the now rapidly multiplying urban

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banks of this Presidency have limited their maximum dividends to 10 per cent., while prescribing the compulsory distribution of part of the profits to all member-customers, in the shape of a rebate to borrowers and a bonus to depositors. They are also slowly beginning to appreciate the needs of co-operative education and to make their membership of the Central Co-operative Institute a living relation. By affiliating to the Provincial Co-operative Bank and using it as a clearing-house they have overcome many of the evils of isolation. On the other hand, they have benefitted directly by the Italian model in their business management and are now freely using cheques and doing discount business, while they are also gradually grasping the advantages of rapid turn-over. The best of the People's banks in this Presidency can now fairly be compared with the Luzzati Banks in point of business management, while they adhere more closely to a correct place in the systematic evolution of the co-operative spirit.

AGRICULTURE SOCIETIES

Even more characteristic of Italian co-operation than the Luzzati banks is that mode of combination by which a number of workmen join together for the common exploitation of their labour. They may do so if they are agricultural labourers in the way of husbandry and collective farming. They may, if they are navvies or workmen of a similar class, devote their society to other works of public utility. Great progress has been made in both directions and this class of society, almost unknown outside of Italy, has now attained in that country an importance both economic and political which can hardly be exaggerated.

In agriculture, these co-operative societies of agricultural labourers or in some cases of peasant farmers, are known as *Affitanze collettive*. The object of such societies is the leasing in common of land for cultivation and in most cases its exploitation in common. The main reason for their commencement and extension lies in the prevalence in Italy and especially in the south of enormous estates, successors of the old Roman *latifundia*. These estates are in many cases proprietary and belong to the old nobility of the country. But in addition,

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there are, especially in the southern provinces, vast public domains which for the most part have lain fallow for centuries and perhaps even from the days of the Antonine Empire. It is obviously to the advantage of the State that these domains should be brought under cultivation as early as possible. But the Government found itself faced by the paradox that on the one hand it was the owner of vast territories which it could not get cultivated and on the other that the country was being depopulated by constant emigration on a large scale. The paradox was susceptible of only one explanation. It was evident that the economic conditions were seriously out of balance. Clearly the cultivator suffered either from the want of sufficient capital to prepare such territories for cultivation or the profits to be derived from farming were considerably less than the incomes which were obtainable by emigrants to other countries. It was necessary therefore for the Italian Government to devise some method by which capital could be brought within the reach of the intending cultivator and through which he could hope to obtain a remunerative outturn.

The first steps which initiated the movements began in the proprietary estates. The nobility in Italy as a rule lived in the cities and devoted themselves to amusements. They might play with politics according as they were "black" or "white"; but the immediate duty of administering their property as land owners and of being in direct contact with their tenants did not appeal to their inclinations. It became a general practice to let their estates to a class of large farmer generals known as Gabelotti. Some of these no doubt were capable men; but as a class they were selfish, grasping and oppressive. By their oppression they threw the south of Italy into a state of unrest which not infrequently ended in actual bloodshed. To defend themselves the peasants began by creating "leagues of resistance". From these leagues in turn sprang co-operative societies. The peasant felt that after all his best means of defence and resistance was to associate himself with his fellows in order to treat direct with the owner instead of the farmer and to hire and cultivate the lands in association with his companions. Such societies did not begin until the year 1902, but once begun they multiplied rapidly.

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Thus in the province of Ravenna alone there were 47 such societies for the common farming and exploitation of proprietary estates in 1912. At the present moment there are 80 such societies in the province of Emilia and there are others in large numbers both in Sicily and in Lombardy.

In 1913 the Italian Government for the first time took official notice of the movement. It was felt that if such farming societies were to succeed (and their success was obviously desirable) they required financing both in order to buy tools and animals and also to effect the improvement of the land. The Government therefore in 1913 founded by Royal decree the Istituto Nazionale Di Credito per la Co-operazione, "The national institute of credit for co-operation." The decree was later modified in 1918. The Institute's object is primarily the financing of agricultural societies of the kind described as well as of tenant farmers and individual would-be occupants. This was in Italy the first step towards granting Government aid to co-operative societies and exercising Government control over them.

The Government has given large loans to this Institute, amounting in all to over 130 million of lire. In consideration of these loans the Government exercises certain regular powers. The working of the Institute is subject to the supervision of the Minister of Agriculture, Industry and Commerce. Reports are regularly called for and there is an annual inspection of the Institute by the Ministry. The Institute is governed by a Council of Administration which is appointed for six years. The Council nominates the Director who is at the head of the Institute but his nomination requires the Minister's sanction. The Council itself may be removed for due cause by the Minister. In such a case the Minister has the right to appoint a Royal Commissary to direct the Institute pending the appointment of a new Council. The Institute has now ten branches in all. It also has organized regular inspection of affiliated societies, for which purpose it maintains an establishment of auditors and inspectors. It gives a subvention for co-operative education and it maintains classes of instruction for six weeks every year. The Institute is not, however, free from the usual want of logical organization observed in Italy. It does finance the

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societies for whose benefit it was primarily intended ; but it is far from confining itself to such societies. It has mixed up with its duties of agricultural finance the rather incongruous and dangerous task of financing societies with different aims and methods. The Directors of the Institute have failed to recognize the distinction so clearly observed in France between the contradictory objects and conflicting methods of co-operative resource societies and other societies with a more collective purpose. In 1918 I find that the Institute financed 318 *Affitanze* with 125,000 members who took up the cultivation of 37,446 hectares of land ; but in the same year it dealt direct with 3,077 co-operative societies in all. Out of these 2,123 were consumers' societies, and 640 were societies described as " for production and labour." In addition the Institute does ordinary banking business. For instance, it discounts paper on a large scale, and it exacts and lends money on pledges. Shares are 10,000 lire each, a sum considerably in excess of what should be expected from a co-operative society. When the Institute started it began with a capital of 7,750,000 lire. The share capital at the end of 1918 was already over fourteen million lire, but the reserve fund at the same time amounted only to 179,000 lire. Societies are shareholders but each share is allowed one vote, a rule which is distinctly opposed to co-operative principles. The division of profits, however, is nominally more co-operative ; dividends to shareholders are now limited in the first instance to five per cent. after a first deduction of 10 per cent. for reserve funds. Of the balance that remains after this deduction has been made and the dividend paid, 20 per cent. has to go to reserves and 80 per cent. is left at the disposal of the general meeting either to go to reserve fund or to be distributed as a further dividend. In the Institute therefore we find a real beginning made towards a national system aided by Government for the finance and control of agricultural co-operation.

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incomplete. The gaps are many and unbridged and the methods adopted are not altogether free from reproach. The Institute has not remedied the main defect of Italian co-operation, namely, that it is local and disorganized. Nothing indeed impresses a visitor more than the essentially local nature of all Italian co-operation in spite of the recently created Institute. The logical division of the three main branches of co-operation, resource, consumption and production, are not known or are deliberately rejected. In the same locality, all branches of co-operation, whether for one province or for one town, are mixed up together in an amorphous federation; although there may be separate local Consorzi for separate branches. Broadly speaking there is no idea of syndicalism. There is in other words none of that tendency observable in other countries, for all producers', all consumers', or all resource societies to amalgamate each in their own separate federations, each in their own line acting for the whole country, or for the members of one trade to unite for a common purpose independently of the area in which they work. In Italy it would appear that the bond of local habitation is much greater than that of common occupation. Historically this is not astonishing, and for the development of the nation it is not without value. But regarded from the point of view of economic development and co-operation the resulting loss of logical action and the resulting financial dangers are a very considerable disadvantage.

Statistics are of course unobtainable, but there appears now to be some tendency to be less provincial and to group in larger federations embracing greater areas, though the federations are still unrelated or chaotic in their relations to each other. It is, however, computed that there were in all before the Fascisti revolution some 15,000 co-operative societies in Italy. Out of these, 2,000 Catholic Agricultural Societies were affiliated to the Italian Federation of Rural Banks, which, though founded in 1909, began active work from 1915. Under this central Catholic federation there were 36 local federations in 1918, under which half the societies were grouped. Then there is the National League, the greatest Italian federation, intended primarily for Consumers' and Producers' societies but including other types

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as well. To it in 1920 were affiliated some 4,000 societies. But Sicily has its own federation and there are other local federations which appear to be satisfied with their isolation. By a decree of the 29th October 1922, however, a Co-operative Board has been instituted for Italy. The Board has been constituted to assist the Minister of Labour and Public Safety. The President will be the Minister or his Under-Secretary. It consists of 19 members, three of whom are representatives of producers' societies including labour societies, three of consumers' societies, and three of resource societies, other members being nominated by the Council of Trades Unions, by War Veterans, by the National Institute and by Government. The object of the Board is to advise on all co-operative questions and on the registration of Unions and Federations. It has the right to control all institutions which fall under the second category and is responsible for advising due penalties in case of transgression. The Board has a real power to order inspections and enquiries which will be held on its behalf by officials of the Labour Ministry. Whether, however, this valuable Board, so obviously needed for control, has survived the Fascisti revolution and, if so, whether it is allowed to do anything, are questions to which I do not know the answer.

To return to the subject of co-operative cultivation in common, the constitution of such societies has also tended to vary according to the locality in which they were organized. In each area the causes which led to their formation and their consequences have been different. Broadly speaking they fall into two classes; those in which the cultivation itself is done in common, and those in which the property which was leased in common is divided for purposes of cultivation separately among the individual members of the societies. The latter type has been on the whole the more frequent. In the North, especially in Lombardy, it is usual to divide the property leased in common into separate farms each cultivated by one member of the society and his family. In Reggio Emilia, a very socialist region of Italy, cultivation is almost always communal. The members of the society are labourers; they combine together for the collective cultivation of the property which they lease. The society is

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Growth of the French wholesale

Year.			Affiliated societies.	Subscribed capital.	Guarantee funds.	Reserve funds.
				Fr.	Fr.	Fr.
1907	..	..	141	47,025	....	1,541
1908	..	..	228	53,000	....	2,135
1909	..	..	262	65,500	....	2,644
1910	..	..	282	70,700	....	6,586
1911	..	..	293	80,875	....	7,207
1912	..	..	295	85,022	30,788	15,594
1913	..	..	309	88,300	43,669	19,379
1914	..	..	425	119,625	53,841	24,453
1915	..	..	420	131,650	53,841	24,453
1916	..	..	....	....	53,841	24,453
1917	..	..	428	143,400	138,882	44,107
1918	..	..	670	580,400	144,625	62,229

Year.			Real property.		
			In Metres Area.	Value.	Stock.
				Fr.	Fr.
1907	..	..	....	....	5,778
1908	..	..	....	....	99,659
1909	..	..	3,054	20,452	199,823
1910	..	..	4,514	41,445	402,526
1911	..	..	5,035	167,343	585,290
1912	..	..	5,035	168,554	605,097
1913	..	..	6,770	467,247	713,075
1914	..	..	6,770	467,247	776,616
1915	..	..	6,770	467,247	763,284
1916	..	..	6,770	467,247	858,492
1917	..	..	7,583	552,693	880,049
1918	..	..	13,351	1,006,118	1,455,713

open to all labourers who wish to become members. The work they have to do on their farms does not take up all their time and they are free to attend as well to any private employment that they care to choose. The exploitation of the property that they lease does not therefore so much constitute their entire livelihood as rather it serves them as a means of regulating all agricultural labour and as a resource in times of strikes. In Sicily the usual form of such societies is intermediate between these two extremes. The main object for the Sicilian peasant was to suppress the Farmer General. In Sicily, therefore, the property leased in common is divided into separate holdings cultivated individually by the members of the societies but in addition to these holdings the member has other farms of his own ownership with which he is allowed to combine them. It may be noted here that these societies in Italy only too often obtain a sectarian complexion. They are generally either violently Catholic or more often violently Socialist. In the former case they may be financed by the Catholic Banca di Roma. And in such cases they are usually placed under the tutelage of the village priest. Members are excluded according to their regularity at confession and their character is judged by their willingness to submit to ecclesiastical jurisdiction. Some of the *Affitanze* in Italy are of considerable size and importance. At Ravenna for instance one society has 2,800 members. It has a subscribed capital of 69,000 lire and a reserve fund of 67,000 lire. At Rho in the province of Milan the society has a subscribed capital of 113,650 lire, and although its membership is only 286 it cultivates 2,500 hectares at a rental of 163,000 lire. In Sicily four societies of the province of Trapani have joined in a federation which has 2,800 members and cultivates 6,700 hectares. This union has recently bought each year about 8,000 lire worth of chemical manures. On the other hand some *affitanze* are very small indeed. One finds in the North that some societies lease only two or three hundred hectares. In the province of Modena the society of Quartirolo has only 23 members, while that of Pozzuolo in the province of Milan has only 41 members and a subscribed capital of 228 lire, although with this

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limited membership and capital it has been able to cultivate 1,500 hectares at a rental of 78,000 francs.

As a whole the movement is one with vast potentialities. It has been imitated in France, since the war, with good results, and in Rumania a similar type of co-operation is almost revolutionizing the husbandry of the country. It is possible that in co-operative cultivation in common a solution might be discovered to those problems of Deccan poverty and unimproved cultivation which centre round the disputed issues of "the uneconomic holding" and "excessive sub-division of property." Such a solution at any rate would avoid that revolutionary interference with traditional rights of succession that is so often recommended by light-hearted reformers of non-farming classes and would not bring in its train those consequences in the way of limitation of families which may be anticipated if legislation interferes to disinherit younger children.

THE BRACCHIANTI

In addition to these societies for communal cultivation there are many others even more important in which workmen combine for other classes of productive work. These are known as societies of Bracchianti, because the capital which each member brings to the society is only the strength of his arms. The members of such societies make small deposits and obtain loans for the furtherance of their object. They are largely financed by a central body known as the Banca del Lavoro.

The objects of the Banca del Lavoro are characteristic of the country and the want of clear division of the various branches of co-operation. They are defined in a section of the bye-laws as follows :—

"The object of the bank is to put the benefits of credit and saving at the disposal of production and labour in their various manifestations, with special regard to land production and to industrial craftsmanship followed in the individual form of small cultivation and small industry, and particularly to finance co-operative societies of labourers, production and consumption and their Consorzi and local or national federations according to the form and guarantee received from the special

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character of such co-operative organizations ; it may further co-operate in the increase of professional knowledge and of all forms of provident or insurance societies which tend to increase the value of labour. ”

The fifth article of the bye-laws again restates the objects in another form when it describes what are to be the ordinary operations of the society. There in the middle of a large catalogue of ordinary banking operations it is stated that the bank shall open credits especially for co-operative societies of labour and production and of consumption. In other words, it will be seen that the bank intends to obtain a large portion of its funds from ordinary commercial banking but that it will use them for the advantage of producers' and consumers' societies as well as of societies of Bracchianti. It may be added that the capital of the bank is raised by 30,000 shares of 100 lire each and that the division of profits does not provide for any limit of interest or for any bonus to customers.

The societies of Bracchianti undertake certain classes of work in their own neighbourhood, and it may be added that they not infrequently boycott other workmen and societies. The first of such societies was the Co-operativa di Lavoro di Ravenna which was founded in 1883. In the 37 years that have elapsed since its foundation the number of such societies has extended to about three hundred in all ; and many of these societies are now extremely large and extremely important.

In Bologna again there are two such societies. One is formed by masons and members of similar trades, the other is composed of transport workers. The former society each year undertakes private work and public contracts to the extent of several millions of lire. This society is at present engaged on certain draining and land improvement schemes of a total value of seven million lire. They have also contracted for a new railway line to be built from Bologna to Florence at a cost of twenty million lire. The society of transport workers has a membership of 12,000. It owns stables, motors, stone-breaking machines, etc., valued at 500,000 lire in all. In addition to these there are in Bologna

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as elsewhere many small co-operative societies of workmen. These are really the typical Bracchianti, the members being people who let themselves out on hire as workmen, as scavengers for instance or as navvies. In Reggio Emilia the manifestations of this peculiarly Italian type of co-operation are even more characteristic. Here, these workmen societies are grouped in a Consorzio of labour. Ninety-four societies with twelve thousand members and more than one million of capital are affiliated to this Consorzio. The most important work undertaken was the building of the railway from Reggio to Ciano, which is regarded as the greatest of the Bracchianti's undertakings in Italy. At the present moment the Consorzio is executing contracts of a value of six million lire. It is a characteristically Italian touch that in addition to this Consorzio there exist in the small region of Reggio Emilia two other federations, one of agricultural co-operative societies and the other for consumers' and agricultural societies.

There has now been constituted, in addition to the various professional organizations, a national federation of co-operative societies of production and labour. To this federation there are affiliated thirteen *Consorzi regionali* with 728 societies. The federation tenders to Government for all manner of public works and has a capital of 1,100,000 of lire.

The method by which such societies work is roughly as follows:—The society itself is governed by three smaller bodies or committees. There is first of all a committee composed of workers only which is in sole charge of the policy of the society. There is secondly a small supervisory committee responsible to the General Meeting whose duty it is to audit accounts, see to bookkeeping, and generally control the observance of all rules and regulations. Thirdly, there is also a technical committee, which usually consists of an expert engineer and a secretary with some legal training, whose business it is to look after the actual contracts, the settlement of wages and salaries, and the distribution of work. Such being the governing bodies the next thing to settle is how the work actually undertaken is to be distributed by them amongst the members of the society.

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But before this can be fully considered, another practical question very frequently arises. The societies are of course composed in most cases of members of one trade or one branch of a trade only. This is necessary in order to ensure solidarity, discipline, and compactness. But as a practical affair, it is obvious that nearly every contract implies the employment of labourers of various trades. A house, for instance, needs for its building not only brick-layers, but also masons, stone-cutters, carpenters and so on. A bigger contract like the construction of a port obviously would require a still larger number of specialised trades for the completion of the contract. Hence the next step to be taken by any society of this class is to combine with other similar societies of different but kindred trades. This difficulty has been met by combining such societies of allied trades into federations, and where a federation exists, it is the federation which tenders for the contract and then subdivides the contract amongst the individual societies and not the individual societies themselves. This overcomes the second difficulty. Another difficulty remains. Employment is not always steady. It fluctuates in each trade in turn. At one moment it is possible that all the brick-layers in a given area may not be sufficient for the work required, while carpenters may be sitting at home without employment. A month later the reverse may take place. And it is not possible for a society to exclude from its membership willing and competent workers who wish to join. The society has therefore to face two possibilities : firstly the very probable result that its total membership may in general exceed the amount of work available at any moment, and secondly that at times even its whole membership may be insufficient to cope with a large contract. They have provided against the one possibility by allowing outside labour to be engaged when necessary. In that case the non-members who are employed obtain weekly wages but do not obtain any shares in the profits. The other case is met by a system of giving employment to members by rotation ; so that even in the slackest times each member at least obtains some employment in his turn, although he may have to seek outside employment when

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the society is no longer able to find sufficient work for him. The profits of the society are ultimately divided in proportion both to the capital subscribed by the member and to the number of days worked by him. It is perhaps doubtful whether in the present condition of Indian labour, especially in view of the illiteracy of most of the labourers and the consequent want of understanding of joint purpose and of self-sacrifice of the individual for the whole, it would be possible for such societies to combine effectively into federations or to introduce a rotation system without dispute and acrimony. Yet if such societies are to be founded, and their need is urgent, especially in industrial centres like Bombay, these difficulties must be met by a slow but devoted and energetic educative propaganda.

In Italy in the past, as will also be the case in India in the future, two main difficulties met these societies at the outset of their career. The one, superficially more important, was to supply them with capital. The other, ultimately the greater, was to supply them with discipline. The difficulty of capital was not solved in Italy until Government finally decided to abandon its policy of non-intervention and by progressing beyond old fashioned Liberal ideas, agreed to adopt the policy of rational and moderate State aid. Since that change of policy there has been no real difficulty in finding capital. Capital is provided partly by the Istituto Nazionale di Credito, a bank which is under very strict Government control and which is largely financed by Government assistance given partly by way of grant and partly by way of guarantee. In addition, direct Government grants are made to such societies. And lastly advances are made by co-operative banks to such societies from time to time against certificates from the public bodies with which they have contracted. To those who know the Italian character, however, it might seem an even greater labour to overcome the other difficulty of discipline. No nation in the world can be more individualistic and broadly speaking less amenable to control or obedience. Yet the result shows that discipline has been achieved in these societies. This has been largely done by one device. The workers are divided into sections of about twenty.

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At the head of each section is a foreman who is nominated by the Executive Committee subject to the approval of the General Meeting. This foreman is responsible for the supervision of the men and for the preparation and checking of pay-sheets or disbursements of pay. This device coupled with the fact that expulsion is immediately resorted to in any case of quarrelling or slackness has proved sufficient to enforce that strict and rigid discipline which is necessary in a co-operative society of this type. Not only are members liable to immediate expulsion in every case of friction or disobedience, but the society itself is compelled to go into liquidation if its membership should at any time fall under twenty. It may be added that the foreman is paid by making each worker in the section pay each day one per cent. of his weekly wages to the foreman. In this way the workers feel that the foreman is their own man, while at the same time the foreman knows that he has the Executive Committee behind him and that he can at any moment get an insolent or lazy workman expelled from the society. In India the difficulty would be to find on the one hand a foreman sufficiently strong to control his section and on the other hand an Executive Committee which could be counted on to support its foreman instead of yielding to the easy temptations of leniency.

It must, however, be remembered that these societies proved so successful and so prolific in Italy largely because the supply of labour exceeded the demand. No country in Europe perhaps had suffered equally with Italy from emigration. The labourer found no scope for his work within his country. The numbers of labourers were larger than the employment provided. The Co-operative system enabled contracts to be completed at a considerably smaller cost than when middlemen sought fat profits in the contracts. With the same money, therefore, and with equal or higher wages to each employé public bodies were able to undertake more work and therefore to provide more employment.

In India combinations of this kind have so far been unknown and it is doubtful how far similar conditions prevail. A rather similar society organized in Broach by Rao Bahadur Ambashankar Mulji has, however, just been registered and, though at

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present of a mixed type, may serve as an experiment to guide other classes of workmen into this path. Societies of the Bracchiati type might at any rate be tried and perhaps be successful among classes like Municipal sweepers or even dock-labourers.

CONSUMERS' SOCIETIES

As might be surmised from what has already been said the variety in the efficiency and importance of consumers' societies in Italy is very great. It is quite impossible for me even to attempt any general survey or estimate. Broadly speaking, it may be said that the consumers' societies also suffer greatly from the want of proper federation and of unity and cohesion. The Italians themselves admit that consumers' societies are largely not very successful. They ascribe this fact to "want of federative spirit, extreme poverty in men and capital, and insufficient technical organization." I at any rate am unable to agree that the want of capital has anything to do with their failure. On the contrary, as other classes of society and in particular credit societies have succeeded in obtaining capital with the very greatest ease and several consumers' societies have been able to borrow much more considerable sums than are consistent with safety, I cannot ascribe any part of the failure to poverty or real lack of capital. If capital is not obtained, it must be due to faults in management or to want of trust among members and non-members. These are symptoms with which we are not unacquainted in India. A fact to which much weight attaches is again the undue individualism of the Italian character. Far too many independent little societies of consumption have been started. They have been started not merely in the industrial centres where there are good hopes of success, but even in small villages where their failure was almost predestined. Such little societies naturally fail to work well, but they are kept going mainly because some one or the other has his pride tickled by being chairman.

There are now in Italy over 3,000 consumers' societies with a turnover of about six hundred millions of lire.

Until last year they received no help from Government and would therefore have merited the commendation of those strict

theorists who would deny State aid to every form of co-operation. It is, however, interesting to notice that even in Italy the Government has at least found itself obliged to depart from its policy of non-intervention. By a law of the 26th May 1918, Government recognized the necessity of giving special privileges and subventions in cash to such societies.

For a long time the consumers' societies were in Italy regarded unfavourably by the trades' unions. This feeling is, however, now abated and the two work hand in hand. The consumers' societies give help to workmen during strikes and have therefore managed to live down their unpopularity. As a whole in Italy they undersell the market, a policy which has obvious small advantages in attracting custom but which the general experience of the world has found to be dangerous. This class of society has benefited largely by the war.

One of the most successful of consumers' societies in Italy is the *Unione Co-operativa* of Florence. It is extremely well managed and I was able to satisfy myself by personal inspection that it attracts all classes and not merely the lowest. The society bakes its own bread and pastry, and very good they are. An important feature is in the rather complicated rules for internal management by which a constant check is maintained over all officials and over the working of each department. The system of accounting is particularly good. Each department makes up its totals every day, and the whole are collected in the evening by the head accountant. It is therefore possible from day to day to know exactly how the affairs of the society stand. Dividends of 5 per cent. are paid to share-holders. In addition bonuses are given once a year to customers who can claim them on producing the ordinary receipts given for each purchase. These amounts are checked in the account department which is enabled to do so by a system of slips, as each slip received from each department shows the number of receipts given out of a counterfoil book and the amount purchased by each customer. Bonuses are shared with non-members as well at the same rate. Many non-members however naturally fail to claim their share and in that case the unclaimed bonuses go to swell the reserve. A feature of the society which I could not regard as very satis-

DIX.

Society from 1907 to 1918.

Development funds.	Extraordinary reserves.	Amortization.	Establishment.
Fr.	Fr.	Fr.	
3,694	10,000	5,778	10
12,140	10,000	72,213	84
16,275	13,898	220,275	121
20,870	Suppressed.	451,971	132
30,092	....	629,521	209
63,667	....	666,955	206
78,826	....	704,189	230
94,168	....	737,673	271
94,168	....	814,872	233
94,174	10,000	....	518
186,015	20,600	1,048,491	614
258,504	254,850	1,373,611	723

Sales.	General Expenditure.	Expenses of production.	Net profit.	Annual production included in sales.
Fr.	Fr.	Fr.	Fr.	Fr.
1,877,781	49,144	....	8,543	....
3,789,323	192,341	....	10,178	....
5,404,044	485,657	....	11,263	....
7,488,771	657,158	....	12,410	....
10,498,112	579,652	....	83,872	....
10,610,742	600,601	....	37,847	....
10,624,391	663,391	....	40,591	....
13,720,489	819,577	....	43,415	926,716
9,116,498	1,305,451	470,429	41,706	1,417,475
11,980,086	....	....	....	....
26,019,421	1,594,805	467,148	264,536	2,099,238
41,270,668	2,708,012	843,056	362,443	3,797,553

factory was the fact that they had overloaded themselves with considerable borrowing. At the time I was there the amount of the loans they had taken came to about twice their share capital ; in other words, the society had to pay more interest than was necessary and therefore to diminish the bonuses available, while on the other hand both the society itself and the creditors stood in a position of financial danger. I visited also the large consumers' society of Milan ; but shall not dwell upon its working. It was not so good as the Unione of Florence nor was it so well patronised by all classes. I was told that there were serious complaints of incivility from the employés.

Generally speaking, I do not think that there is much to be learnt from the consumers' societies in Italy which cannot be learnt elsewhere. There is no wholesale society in Italy. The chief lessons are I consider negative.

They may be summarised as follows :—

- (a) do not start too small societies,
- (b) do not start societies in small villages,
- (c) do not allow societies to be started or continued because some one wants to be chairman,
- (d) do not allow loans to be taken to more than a very limited extent,
- (e) do not allow societies to remain separate and isolated.

The one thing as it seems to me in which something positive is to be learnt is the very efficient system of accounting. Indirectly however, there is a lesson to be learnt from the fact that even in this individualist country State aid has now had to be given.

CONCLUSION

It is, I suppose, as true of a living movement like co-operation as it is of all things vital, like art or literature or music, that each man finds in it what he himself brings with him. It is possible enough, therefore, that in France and Italy I have found only what I was already, quite unconsciously, looking for. To be entirely objective, when one is faced with a thing instinct with life, with which one has one's sympathies or one's aversions, is probably impossible. It is only the scholarship, which

obtains impartiality by being without sympathy and active feelings, that can achieve a cold objectivity. I can, therefore, pretend to put forward as conclusions only those aspects which have impressed themselves upon my eye; and I am very conscious that I may be viewing the picture in a special light.

To me, however, it would appear that experience of co-operative conditions in France and Italy suggests these considerations.

First, it certainly seems to me that this experience reinforces the conclusion, already repeatedly framed by other writers, that the co-operative movement, as a living organism, must shape itself largely according to the material with which it has to deal. The sculptor in marble works with a different economy of line and detail from the artist who casts in bronze. Similarly, even where co-operation has the same ideal to express, it must assume somewhat varying forms according to the National character and the economic circumstances which are the material for its self-expression. In England, for instance, we all know that co-operation has been really successful only in the great organization of consumers' societies that it has brought to life. The system of land tenures and of rural government condemned it to failure in relation to agriculture. In building societies the individualist character of the people and the oppressive system of conveyances have led to modified success in finance but to almost total failure in co-operation.* In Italy we find the most characteristic manifestation in the societies of workmen combined for common labour and in the similar associations for common cultivation of the soil. The natural talent of the people for banking has also led to considerable success in People's Banks, a type more useful in financial results than in the growth of a true co-operative spirit. In France, the temperate, intelligent, and self-disciplined mind of the nation has found its truest expression in those producers' societies which go so far to reconcile the social problems of an industrial country and in the logical classification of co-operative objects and methods with which it has enriched the world.

* NOTE :—The recent successes of societies in the Copartnership Tenancy system have fortunately rendered this statement much less accurate than it used to be.

In India we stand at the threshold only of the co-operative edifice of the future. Effort has so far confined itself mainly to a method intended to provide individuals with the resources needed for their professional activity, and in particular with rural credit, where individual cultivators are through their combination in a society of unlimited liability enabled each to get those resources in cash that he needs for his own cultivation. In the last few years, however, Peoples' Banks in Bombay and partly in Burmah have gone far to provide in co-operative form the banking facilities that are so urgently required for national progress, while a good beginning has also been made with Co-operative Housing in Bombay. But even in agriculture little has so far been achieved beyond the grant of easier credit. There is even a tendency, due perhaps partly to administrative routine but much more to the want of educative propaganda by keen non-official workers, to neglect the essential truth that the tests of success in agricultural co-operation are increased production and increased profits. One is apt to forget that the credit society is a success only if, by its means, the cultivator grows two ears of corn or picks two pounds of cotton where before he had only one and obtains a better price for his produce. Too little attention is paid to organizing the sister societies, even more important, for providing the cultivator with the resources he needs in chemical manures, modern implements, good seed, and honest markets. France can offer a suggestion here, even if it is not a model that can not be slavishly copied, by the institution of agricultural syndicates. Similar clubs or associations in union centres might in this Presidency also prove a stimulus to improved cultivation.

Secondly, the lesson which it seems to me may be legitimately drawn and must in fact be observed if the movement is to progress soundly, a lesson learnt both from France and from Italy, negatively in the one case by way of warning and positively in the other, is that in practice the co-operative leader must always have before his eyes a clear classification of co-operative societies, objects and methods. It must be recognized that resource societies, consumers' societies, and producers' societies start with different ideals and in consequence have

different methods : that their finance is necessarily conducted on different lines : and that their federations must be different and separate. It is not only that the ultimate political aims, which in the end their respective followers will represent to themselves, are and will be different but there is an immediate practical danger if their financing agencies and methods are confused. The provincial banks or the district banks on which the sluices of co-operative credit and resource co-operation pivot cannot imperil this substantial movement by lending money derived from individualist holders of property to collectivist societies struggling precariously against competitive trading forces. Producers' societies may combine to found a bank of their own, as they have done successfully in France. Consumers' societies should depend as little as possible on loans of any kind, which only too often serve as a lure to risky and ultimately ruinous business, but should build up their trade by educating consumers to loyalty, increasing their membership, and, if necessary, by obtaining more and more deposits from their own members.

The Luzzati Banks in Italy exemplify forcibly the prudent remarks made by the committee on co-operation in India in regard to urban societies. Such societies will always tend to depart in some degree from the strict lines of true co-operation. But it must not be forgotten that their influence is remedial. The economic diseases of India are the holding up of huge hoardings of money out of circulation and the centralization of finance. Urban societies tend to remedy both maladies. They bring back into circulation and public use money which would otherwise lie idle in the ground and they serve to some extent to decentralize finance. Moreover, in a country as devoid of local banks as India, they provide facilities for the deposit and easy transfer of money which are of great value. I conclude, therefore, that every effort should be made by all connected with the Department, especially by non-official workers, to stimulate the foundation of such urban societies, while at the same time supervision must be maintained to keep them on lines as co-operative as possible and to strike off the list those which have definitely gone over to the methods of joint-stock

banking or refuse to support the co-operative credit movement as a whole.

In regard to co-operative housing societies, perhaps the most important of the problems of the immediate future in this Presidency, I am afraid that few direct lessons can be learnt. Circumstances differ too greatly in different countries for it to be possible to transfer the methods of one land to another. Here the desire to own as one's individual property that costly white elephant, a house, is still so strong that the best system of co-operative housing, that of co-partnership tenancy, is not generally attractive. The disproportionate cost of building in this country is another disturbing factor and may prove fatal to schemes of hire-purchase. The policy at first followed of allowing promoters to grope their own way and draft the bye-laws which appealed most to them was probably the right course to follow at the beginning. But the time has more than come when such intending societies must be placed in touch with the best legal advice through the Registrar and must be provided both with clear knowledge of general principles and correct models of possible bye-laws for various types of society. In this Presidency the need has now been met through the direct intervention and assistance of His Excellency Sir George Lloyd, Governor of Bombay.

The system of French Legislation, so complicated in its quantity but on the whole so simple in its principles, suggests the desirability of a recurring review of our co-operative law in India. Whether or not our existing law is sufficient to meet all the new cases now arising and in particular the case of building societies, is already doubtful. It has been admitted that the rules under the Act are inadequate and some new rules for consumers' societies are already under the consideration of Government. European example would seem to show that a periodical review by an expert legal adviser of Government, acting in consultation with the Registrar, of both the Act and the Rules would be advisable. So many important interests are involved, particularly when societies become owners of building sites and buildings and attach conditions to their tenancy, that no uncertainty should ever be allowed to remain of the exact

interpretation of deeds and documents in the mouth of the judicial courts.

To my mind the most valuable moral to be drawn from the experience of France and Italy is concerned with the vexed question of State aid to co-operative societies. In regard to credit societies it has often been held that no State aid should be given and no State control be exercised. The same reasoning has also been extended to other resource societies. In theory this view has on the whole been accepted in India but it could not be maintained in practice. In certain exceptional circumstances even direct loans have been granted by the State to resource societies and in one case at least free of interest. *Tagavi* has also been granted through or to societies. But apart from loans, State aid has been granted in many directions, especially in the appointment of a large and expensive establishment. The theory of State non-intervention has, however, prevailed in one particular where it has been of great administrative inconvenience. Almost the whole staff of the co-operative department is still officially classed as temporary. The consequences of adhering to the theory in this particular have done much harm in recruitment, appointment, and promotion of the staff and in complicating its administration. Foreign experience (and that of Italy is particularly illuminating) shows that the theory cannot be accepted without qualifications so numerous and so important as to change its complexion. It may be accepted at once that in regard to short term loans resource societies should as a rule finance themselves and that only in this way will they learn self-help. It should also no doubt be recognized that the organization of societies should devolve to the utmost extent possible upon non-official bodies. It should also be accepted that control by the State should be as easy, as human, and as sympathetic as is compatible with safety. But it is impossible to go much further than this. The problem of giving the long term loans required for real land-improvement without State aid has so far baffled students in all countries. Building societies again deserve and require loans from the State, as has happily been recognized by the Government of Bombay. Producers' societies, when they start, will also

certainly require State loans and public money can hardly be used to better utility. And to think of abolishing or lessening the number of officials in the co-operative department to me at least appears to be illusory. On the contrary it appears to me certain that, however, the number of non-official workers and organizations may increase, the actual necessary official duties of the Registrar's Branch will always demand a superior establishment not less than that which now exists but indeed greater. France has always accepted the principle and Italy has been forced, very unwillingly and too late, to recognize it.

Finally, I would venture to add one word more. Both in France and in Italy the success or failure of co-operation has depended upon education. The success of producers' societies in France in particular is a testimony to the value of educated intelligence. The criticisms which can be brought against French agricultural credit co-operation depend, in the last resort, on the fact that the French peasant had already been educated beyond the stage when he required this moral compulsion to thrift. In Italy co-operation has enlarged as the literacy of the population has increased. Thirty years ago an ignorant peasantry would in vain have tried to go in for collective farming. The defects that remain in Italian co-operation are largely due to the fact that growing literacy has not yet expanded into anything like general real education. Now in India also the co-operative movement is at every turn hampered and its expansion prevented by illiteracy and insufficient education. At its easiest and humblest stage, rural credit, the difficulty of finding a literate and at the same time dependable Secretary is often insurmountable, and credit societies can only too seldom be brought to the classes that need them most on account of their illiteracy. At other stages, consumers' societies for instance, the general inadequacy of education is a constant stumbling block. I venture therefore to emphasize that the experiences both of France and Italy show that, if co-operation is to succeed, it must work in a population that has first been rendered literate at least, if not educated.

Growth of the French wholesale

Year.	Affiliated societies.	Subscribed capital.	Guarantee funds.	Reserve funds.
		Fr.	Fr.	Fr.
1907	141	47,025	....	1,541
1908	228	53,000	....	2,135
1909	262	65,500	....	2,644
1910	282	70,700	....	6,586
1911	293	80,875	....	7,207
1912	295	85,022	30,788	15,594
1913	309	88,300	43,669	19,379
1914	425	119,625	53,841	24,453
1915	420	131,650	53,841	24,453
1916	....	....	53,841	24,453
1917	428	143,400	138,882	44,107
1918	670	580,400	144,625	62,229

Year.	Real property.		
	In Metres Area.	Value.	Stock.
		Fr.	Fr.
1907	....	....	5,778
1908	....	....	99,659
1909	3,054	20,452	199,823
1910	4,514	41,445	402,526
1911	5,035	167,343	585,290
1912	5,035	168,554	605,097
1913	6,770	467,247	713,075
1914	6,770	467,247	776,616
1915	6,770	467,247	763,284
1916	6,770	467,247	858,492
1917	7,583	552,693	880,049
1918	13,351	1,006,118	1,455,713

DIX.

Society from 1907 to 1918.

Development funds.	Extraordinary reserves.	Amortization.	Establishment.
Fr.	Fr.	Fr.	
3,694	10,000	5,778	10
12,140	10,000	72,213	84
16,275	13,898	220,275	121
20,870	Suppressed.	451,971	132
30,092	....	629,521	209
63,667	....	666,955	206
78,826	....	704,189	230
94,168	....	737,673	271
94,168	....	814,872	233
94,174	10,000	....	518
186,015	20,600	1,048,491	614
258,504	254,850	1,373,611	723

Sales.	General Expenditure.	Expenses of production.	Net profit.	Annual production included in sales.
Fr.	Fr.	Fr.	Fr.	Fr.
1,877,781	49,144	....	8,543	....
3,789,323	192,341	....	10,178	....
5,404,044	485,657	....	11,263	....
7,488,771	657,158	....	12,410	....
10,498,112	579,652	....	83,872	....
10,610,742	600,601	....	37,847	....
10,624,391	663,391	....	40,591	....
13,720,489	819,577	....	43,415	926,716
9,116,498	1,305,451	470,429	41,706	1,417,475
11,980,086	....	....	....	....
26,019,421	1,594,805	467,148	264,536	2,099,238
41,270,668	2,708,012	843,056	362,443	3,797,553